upliift

What's next?

Weighing up the exit options for niche software business owners in Europe

Foreword

From Alex Myers, Founder and Co-CEO, Upliift

Europe is home to many thousands of well-established niche software businesses, which are successfully solving customer challenges in markets from construction to finance, healthcare, manufacturing, agriculture, food production and processing

These businesses have typically been built up over many years, evolving and developing as technology and software innovations have made more possible. Their success has been driven by their passion for solving critical problems and delivering specialist expertise that customers have come to rely on.

With revenues between €1m-€25m, they not only play an important role in their communities and the industries they serve, but they largely underpin the European economy. And many do so modestly without drawing attention to themselves.

As founders and owners of these businesses there will come a time when you'll want to consider the critical question:

"What's next?"

You may have been leading your company for many years and beginning to think about how to rebalance the relationship between your personal and professional lives.

In time, you may want to think about spending less time at work. Before moving on you may want the opportunity to be actively involved in the company's next chapter, but you might also have outside interests you want to pursue. You need a means to step back, safe in the knowledge that the business is well set up for the future.

We've developed this eBook to inform and guide your thinking as you plan for your next chapter.

1

Europe’s untapped software market

Most of Europe’s well-established specialist software businesses operating in niche markets have been built, and run, by passionate founders – like you.

Many of you have seen first-hand an acute business problem that profoundly impacts a specific group of people in an industry, and you’ve gone on to dedicate all your efforts to solving that problem.

You deliver market-leading, mission-critical solutions, which are widely adopted within a particular industry.

Businesses like yours have built a depth of competence and specialised know-how that benefits the niche that they serve. They have secured a high market share and solid reputations through a customer-centric focus, resulting in low customer turnover, impressive referrals, and satisfied long-term customers.

Part of what makes your business so successful is its culture – in particular, the relationship between you and your employees.

Employees thrive because they share your passion and understand the value they contribute. In return, you feel a sense of duty to them: many may have spent years helping to build the business.

After these years of hard work, you find yourself leading a highly successful multi-million Euro business that you can be proud of. A company whose value is more than purely financial.

It matters not only to you, but also to your customers and employees.

Thinking about life after business

Inevitably, there comes a time when you'll want to consider what's next.

Thinking about the future might come during significant personal or life events. Or it might be an emerging thought on the horizon – but something that requires a degree of planning ahead.

Being able to enjoy a better work-life balance or feeling that now is the right time to have a different sort of working life are common factors in making decisions about the future.

Whatever the trigger, we find that founders usually want to enjoy the proceeds of a life-changing financial return for their hard work and ensure their businesses will continue to thrive when they're no longer at the helm.

So, understanding all the options – and their pros and cons – is essential.

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Four traditional financial options for an exit

Strategic/trade sale

A trade sale to a larger industry player can be a convenient option, but it often comes at the cost of the business' brand and culture. In many cases, they involve assimilating the business with former competitors and taking on their name but not all the people, meaning that a business can become unrecognisable in no time. That is why they are a weak choice for founders who care about protecting their life's work and safeguarding the futures of their employees and customers.

Management buy-out (MBO)

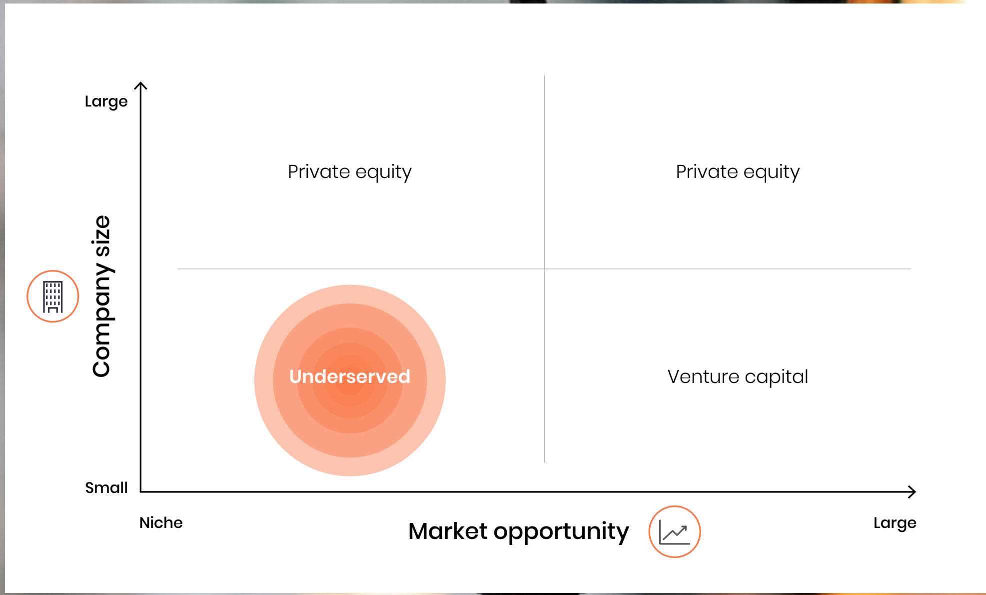
The valuation for an MBO can be hard to define and then to reach, and they often prove impossible to arrange. Salaries, financial performance, and market position all count. The value may amount to millions of Euros, and it can be very hard for management teams to raise these sorts of sums, particularly without landing the company with substantial debt.

Private Equity (PE)

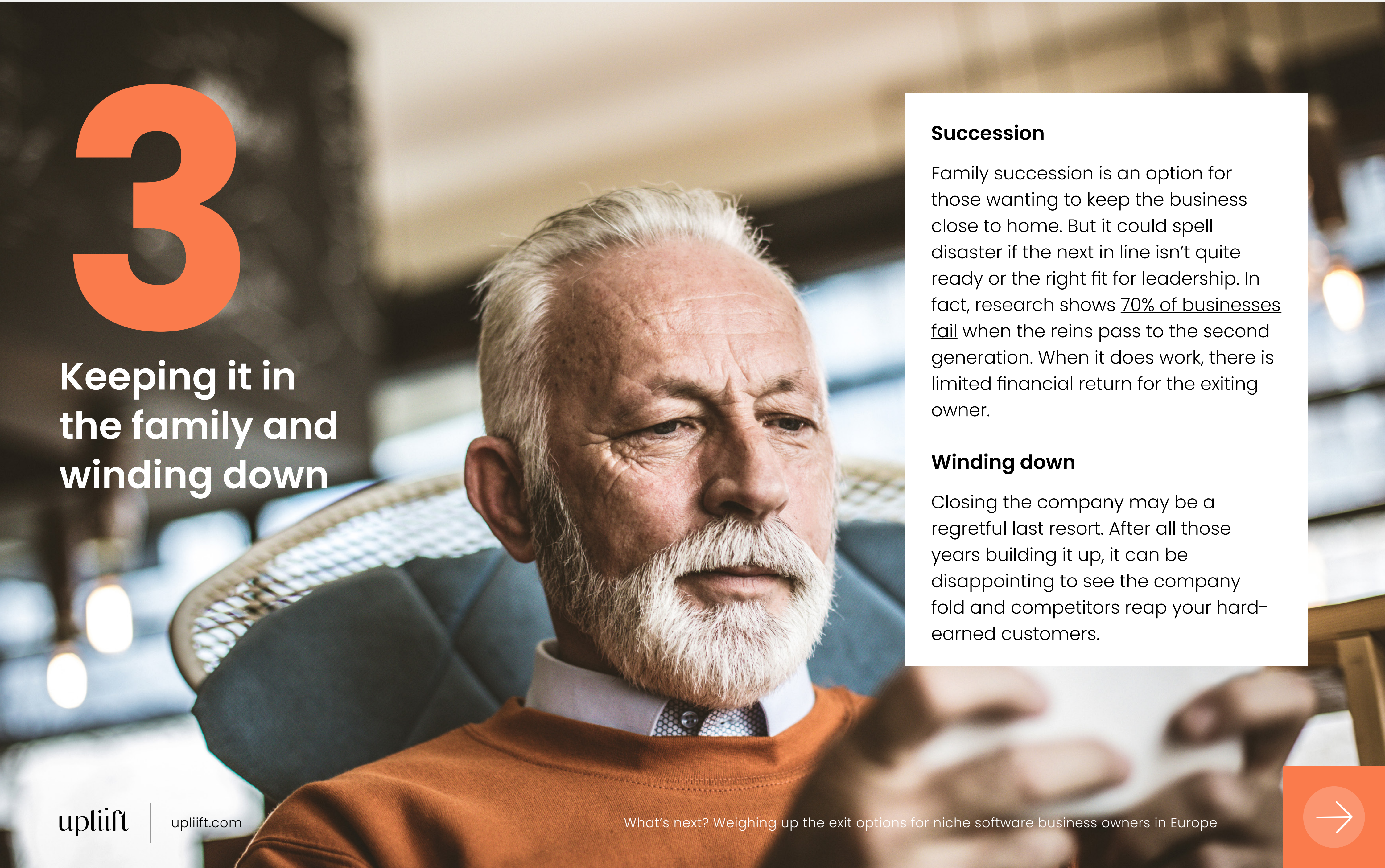
PE looks for fast growth and a quick exit – often 3-4x growth, and an exit in 3-4 years. That can only work in certain conditions. PE is generally interested in larger-scale businesses with a sizeable addressable market that can take on debt. While, at a push, it could be an option for more specialised businesses, its approach can be at odds with those committed to stability and steady growth.

Venture Capital (VC)

VC is focused on high-growth, earlier-stage companies with large addressable markets and significant opportunities for growth and returns. Funds usually go to the hottest start-ups tipped to become the next market leaders. Their expectation is hyperscale growth – and a swift exit.



Both VC and PE have expectations of high growth and fast returns. That means their risk appetite is higher – as is the likelihood a business fails. Research has found around 20% of leveraged buy-outs backed by PE firms go bust within 10 years.



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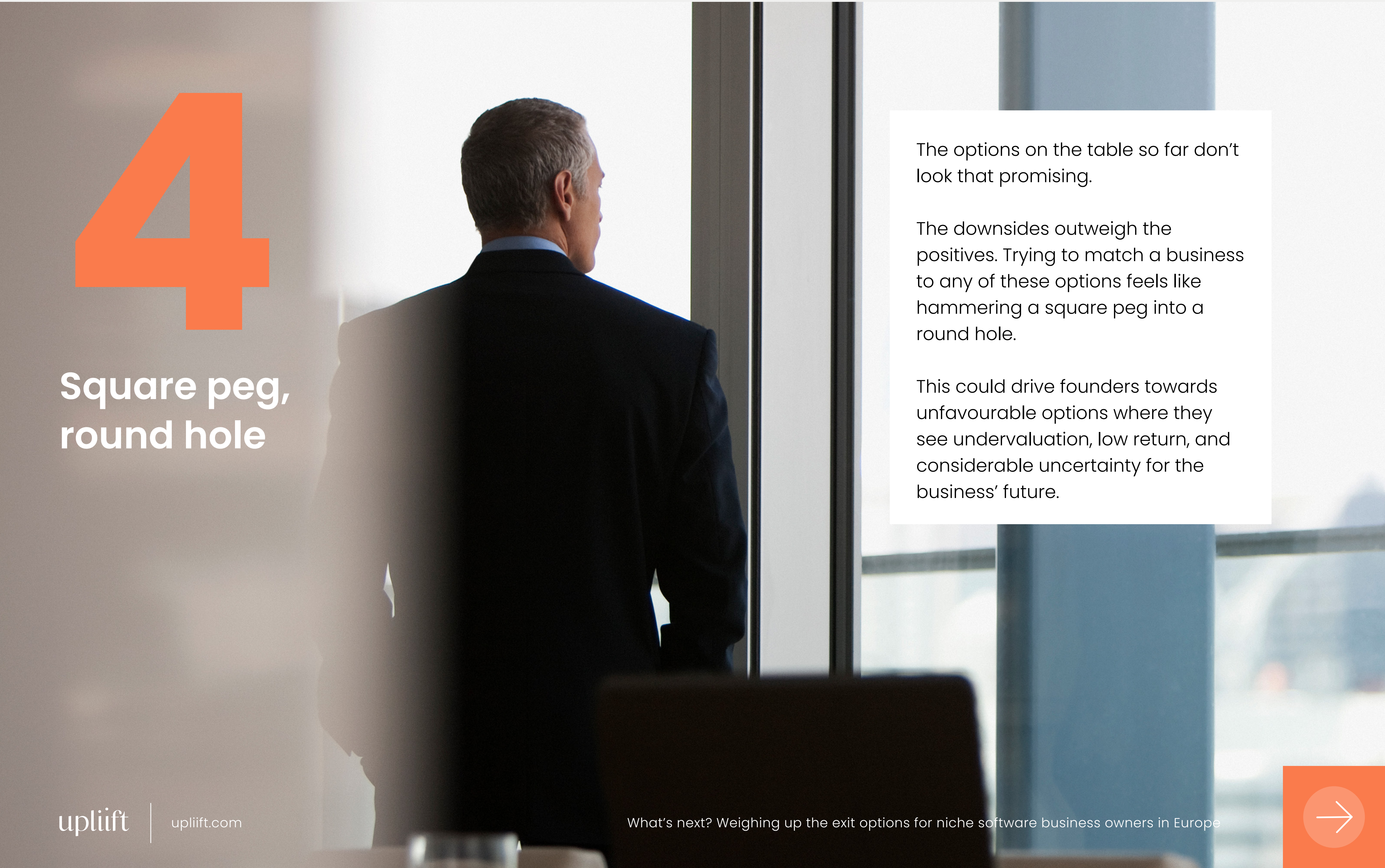
Keeping it in the family and winding down

Succession

Family succession is an option for those wanting to keep the business close to home. But it could spell disaster if the next in line isn't quite ready or the right fit for leadership. In fact, research shows 70% of businesses fail when the reins pass to the second generation. When it does work, there is limited financial return for the exiting owner.

Winding down

Closing the company may be a regretful last resort. After all those years building it up, it can be disappointing to see the company fold and competitors reap your hard-earned customers.



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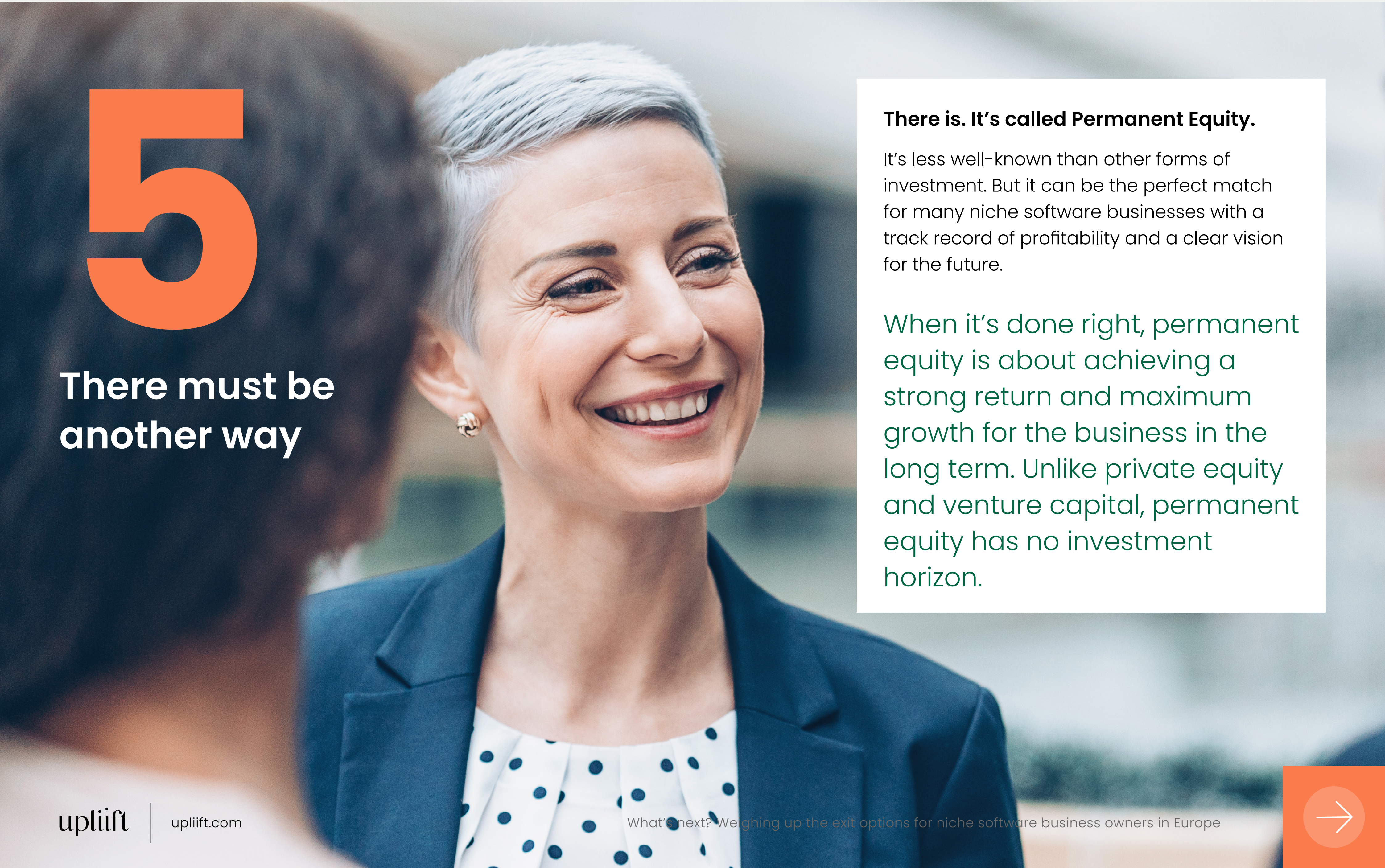
Square peg, round hole

The options on the table so far don't look that promising.

The downsides outweigh the positives. Trying to match a business to any of these options feels like hammering a square peg into a round hole.

This could drive founders towards unfavourable options where they see undervaluation, low return, and considerable uncertainty for the business' future.



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There must be another way

There is. It's called Permanent Equity.

It's less well-known than other forms of investment. But it can be the perfect match for many niche software businesses with a track record of profitability and a clear vision for the future.

When it's done right, permanent equity is about achieving a strong return and maximum growth for the business in the long term. Unlike private equity and venture capital, permanent equity has no investment horizon.

Great deals for great companies

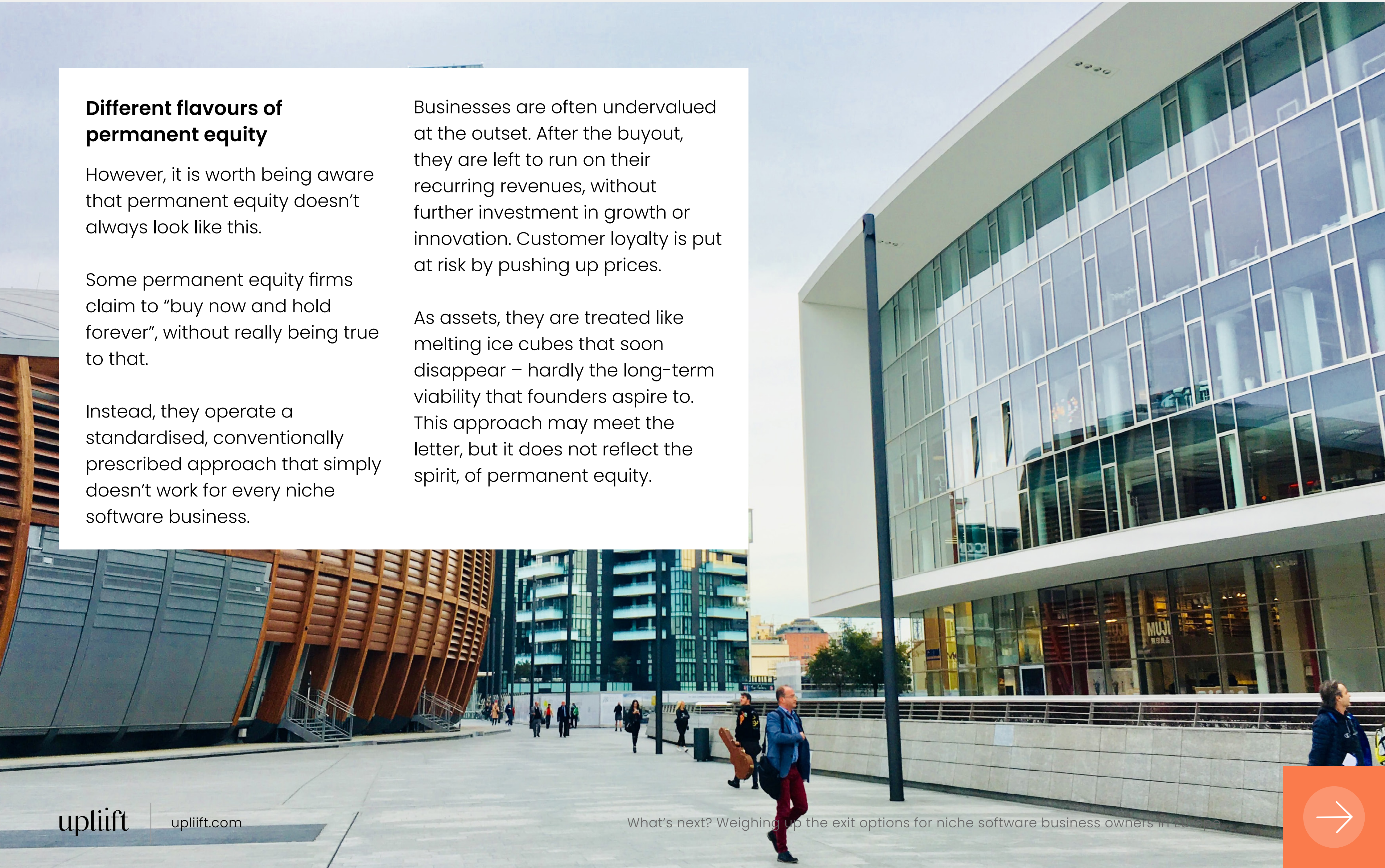
Upliift offers a permanent equity option that genuinely works for you and aligns with your vision, values, and goals.

We focus on fair business valuations, paying fair prices and maximising long-term growth – over decades, not just years. We do so without saddling companies with unsustainable levels of debt. We recognise the value of the original business and vision, and of loyal customers, dedicated employees, trusted partners, and the industries these businesses serve.

In some instances, we can fuel complementary mergers and acquisitions (M&A). We can even arrange investments in stages so that you can take some money off the table while remaining involved in the business and sharing in the upside created through the partnership.

Our investments are supported by a team across Europe that truly understands the rich tapestry of European business cultures. Our deep software and go-to-market expertise means we support continued innovation and product development.

Our approach is based on the belief that investors do well when solid software businesses thrive. In other words: we offer great deals for great companies.



Different flavours of permanent equity

However, it is worth being aware that permanent equity doesn't always look like this.

Some permanent equity firms claim to "buy now and hold forever", without really being true to that.

Instead, they operate a standardised, conventionally prescribed approach that simply doesn't work for every niche software business.

Businesses are often undervalued at the outset. After the buyout, they are left to run on their recurring revenues, without further investment in growth or innovation. Customer loyalty is put at risk by pushing up prices.

As assets, they are treated like melting ice cubes that soon disappear – hardly the long-term viability that founders aspire to. This approach may meet the letter, but it does not reflect the spirit, of permanent equity.

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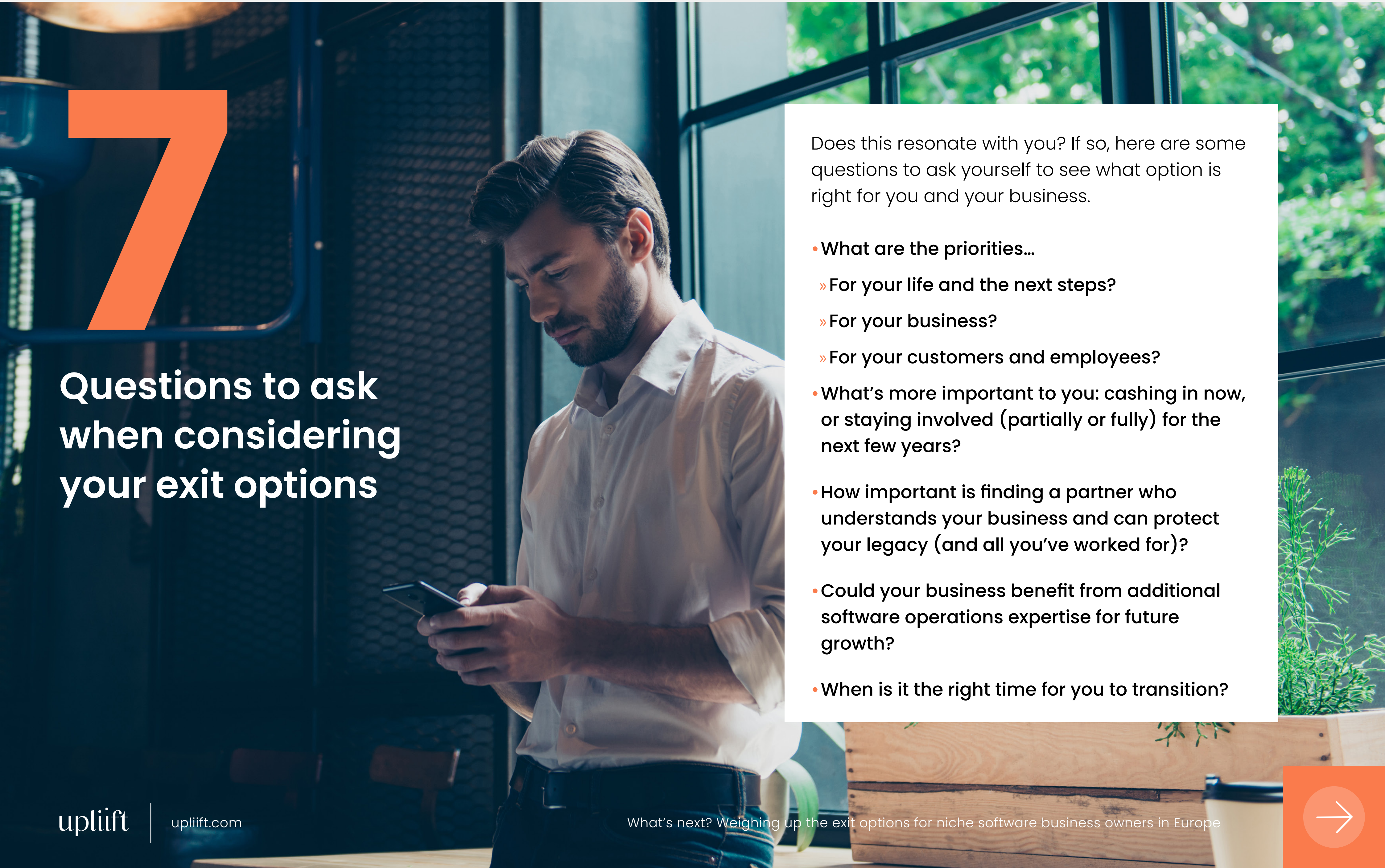
Why is Upliift different?

- Flexible deal structures, including multi-stage investments for founders
- We're software industry experts, 100% focused on niche European software businesses
- Better deals for better companies – we're genuinely focused on fair valuations and long-term growth
- We prioritise listening, empathy, and collaboration
- We're located in Europe. We understand and respect local cultures



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Questions to ask when considering your exit options

Does this resonate with you? If so, here are some questions to ask yourself to see what option is right for you and your business.

- **What are the priorities…**
  - » **For your life and the next steps?**
  - » **For your business?**
  - » **For your customers and employees?**
- **What's more important to you: cashing in now, or staying involved (partially or fully) for the next few years?**
- **How important is finding a partner who understands your business and can protect your legacy (and all you've worked for)?**
- **Could your business benefit from additional software operations expertise for future growth?**
- **When is it the right time for you to transition?**

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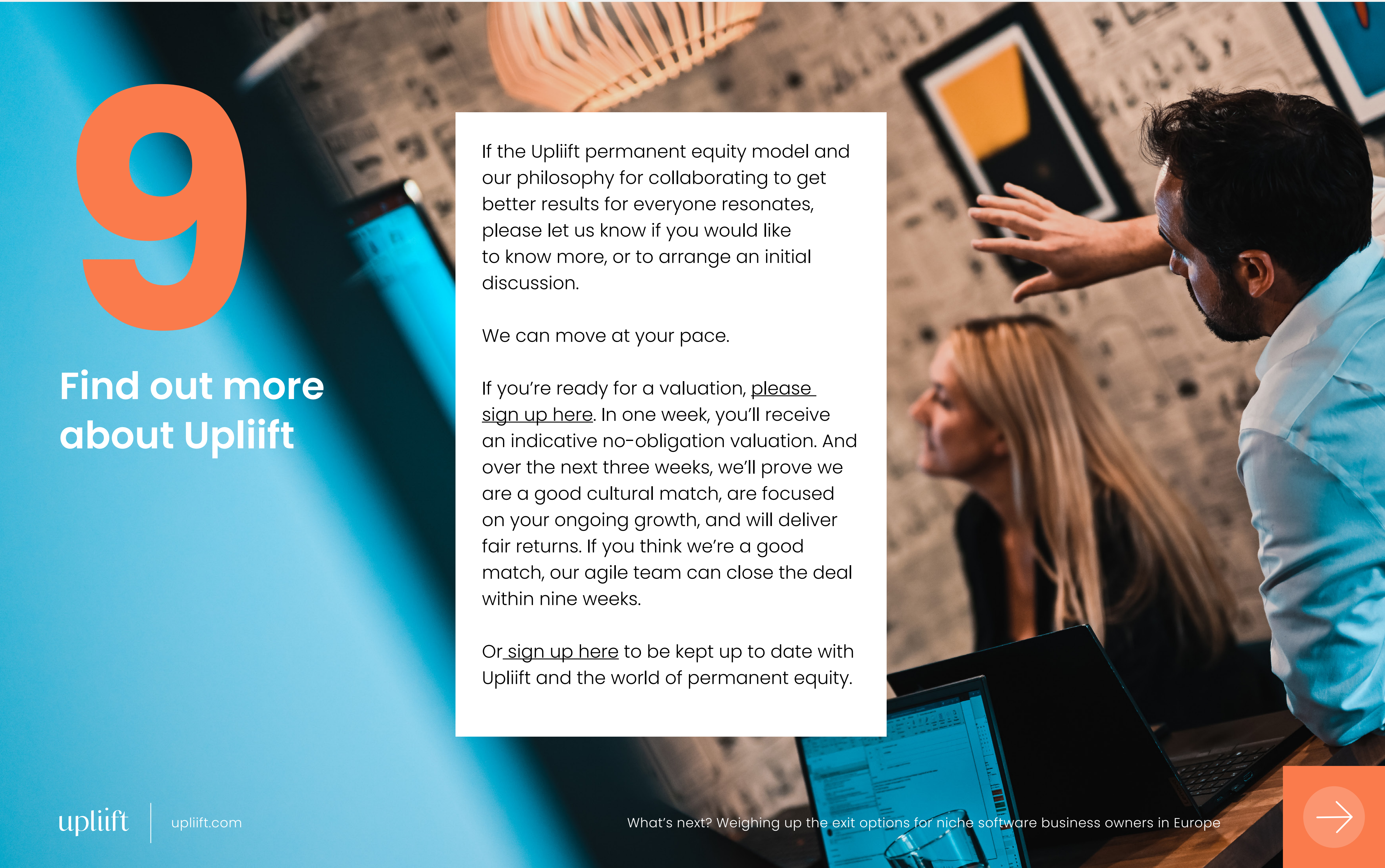
Conclusion: a new way for niche software providers

Until recently, there's been a gap in investment and funding options for Europe's specialist software businesses operating in niche markets.

Such high-quality businesses are ripe for investment. But, the investment options have been irrelevant or a poor fit. Until now.

Upliift permanent equity presents a clear option for these underserved founders.



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Find out more about Upliift

If the Upliift permanent equity model and our philosophy for collaborating to get better results for everyone resonates, please let us know if you would like to know more, or to arrange an initial discussion.

We can move at your pace.

If you're ready for a valuation, please sign up here. In one week, you'll receive an indicative no-obligation valuation. And over the next three weeks, we'll prove we are a good cultural match, are focused on your ongoing growth, and will deliver fair returns. If you think we're a good match, our agile team can close the deal within nine weeks.

Or sign up here to be kept up to date with Upliift and the world of permanent equity.

About Upliift

Upliift is Europe's leading quality-orientated permanent equity investor with a focus on niche European software businesses with €1m - €25m in revenue. Our team of software industry experts across Europe work alongside founders to create better deals for better companies. We collaborate to preserve companies' brand and culture while making long-term investments that unlock their growth potential and enable founders to fully or partially exit. For more information, visit www.upliift.com