upliift

Decoding investor speak:

eight must-ask questions for business owners

If you're considering selling your business, it can be flattering when someone expresses an interest in investing in it.

But it's critical to ensure any investor you choose is the right fit for you.

While, at first glance, investors may look similar, each has a unique proposition and specialisms and does things differently. So, it's worth scratching below the surface to understand the real investment implications.

Here are eight questions to ask every potential investor in your business and some tips on what to look out for in their answers.

1 What are the fund's sources of capital, and what conditions come with it?

All investment firms have raised capital from somewhere, typically other larger investors. They will have very clear rules about the types of companies they can invest in and what returns they may need to make within a certain time.

It's worth understanding these guidelines to see how you and your business will be treated both in the short and longer term. Plus, it's worth asking how reliant they are on debt to fund their investment in your company.

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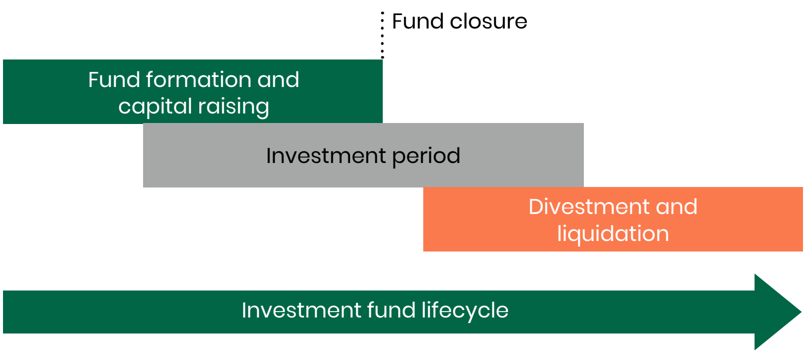
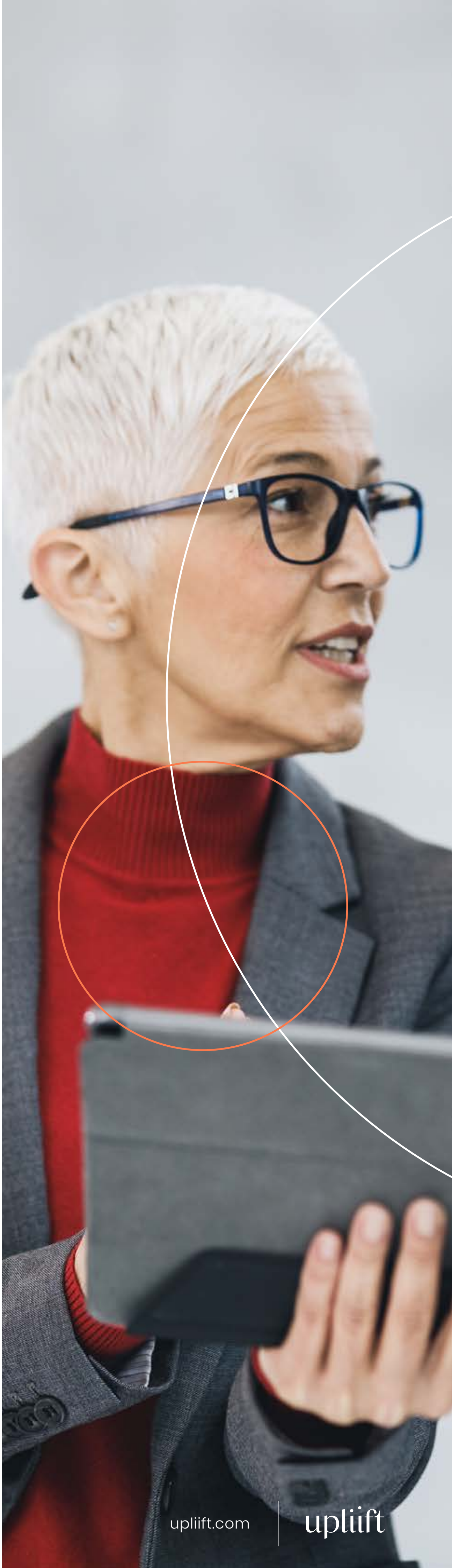
2 How long will your investment fund run before the capital needs to be repaid to the original investors?

Funds often have a shelf life – or lifecycle – when all assets should be sold, and investors expect to see their returns. You need to know what the term of your fund is to understand how long your business is likely to exist in its current form.

For instance, if your investor is drawing from a fund that closed five years ago with a lifecycle of 10 years, their investment in your business is likely to be short-lived (see chart). However, even if a fund's lifecycle is 10 years, typically, investors will plan to sell years before.

Stages in the investment fund lifecycle





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Can you describe the sweet spot for investments by your organisation?

Investors try to appeal to a wide set of businesses so that nothing valuable to them slips through the net. This can make it hard to gauge how well your business fits with their ethos and expertise. You need to assess whether they really understand your business and whether they would be a good fit for you.

So, ask them to describe other sweet spot investments they have made and what made those investments a good fit. Do their answers resonate with you? If not, you risk being undervalued, underserved, and not being able to access the experience you need.

4

What are your software credentials, and how do you support founders?

External software expertise can support your business through operational improvements and long-term growth, providing the agility needed to respond to future uncertainty. If your investors don't live and breathe software, you risk falling behind the competition and losing customers.

Make sure investors give specific examples of the impact they have driven rather than bland high-level statements.

5

Where is your Chief Investment Officer based? Can I meet them and your team?

Beware of a company that can't make meeting in person happen easily. If your investor sits at a desk on the other side of the world, they may not understand your market, culture, people, or language, and you'll transact over time zones.

6 Do you always buy 100% of the company upfront?

You may want to stay with your company for the foreseeable future to see it grow and flourish, so check how long they expect you to stay with the business. If this is a priority for you, avoid investors demanding a 100% exit upfront. They are likely to be in it to make a quick buck. Some investors offer flexible deal structures so that existing shareholders get to keep a significant involvement and share in future returns.

Find out your investors' intentions by asking what proportion of their deals are for 100% of the equity. Request examples of when they have brought 100% upfront and when they've taken a smaller stake.

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7 Can you give me a recent example of how you've helped founders of software companies solve their operational challenges?

Those invested in the long-term success of a business care about partnering with founders over multiple years to improve operations, support employees, and enable growth. If your prospective investor has no good stories here and talks instead about fast deals and moving on quickly, they may not be the right fit for your business and culture.

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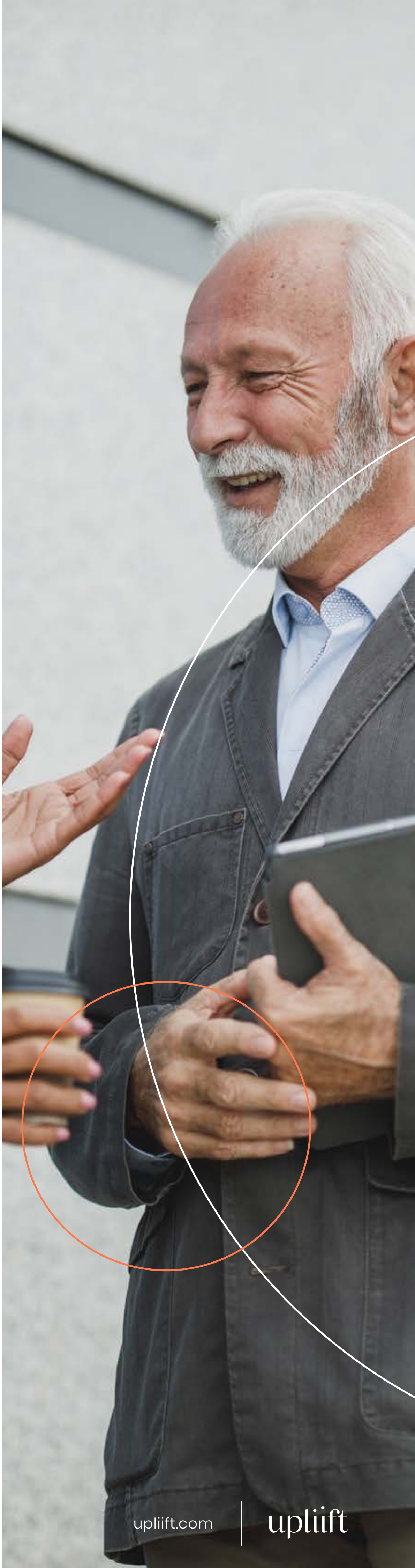
8 What's your investment process, and how will my team and I be supported on the journey?

Most founders won't have gone through this process before. So, asking about the investment process will highlight how much information, involvement and time will be required to complete the sale. The process doesn't need to be so onerous it detracts from your day-to-day responsibilities.



Why is Upliift different?

Upliift works through a permanent equity model and is committed to partnerships where there is a close alignment in vision, values, and goals.

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.

At Upliift, we focus on fair business valuations, paying fair prices, and enabling founders to fully or partially exit. Our team of software industry experts across Europe collaborate to preserve companies' brands and culture and maximise long-term growth – over decades, not just years.

Flexible deal structures, including multi-stage investments for founders

Better deals for better companies – we're genuinely focused on fair valuations and long-term growth

We're located in Europe. We understand and respect local cultures

We're software industry experts, 100% focused on niche European software businesses

We prioritise listening, empathy, and collaboration

If you're considering investment options for your business, read our eBook: "What's next? Weighing up the exit options for niche software business owners in Europe".
Or contact us to request an indicative no-obligation valuation, which we can supply within one week.