

Cashing In While Cashing Out

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Whether you're trying to raise capital or sell your company, finding investors can be an overwhelming process.

"Know what you want as the outcome, and keep that goal in front of you," says Tracy Graves Stevens, former president and CEO of CTX Corp., a knowledge-engineering and information-technology (IT) firm in Vienna, Va.

Founded in 1993, CTX stepped into the investment community in 2002, looking for funding to develop new tools and solutions. Later that year, CTX's owners sold the business to ManTech International Corp., a Fairfax, Va.-based provider of IT solutions for the national defense and intelligence communities.

At a TEI Presidents' Forum, Graves Stevens, now vice president of professional development at ManTech, talked about the do's and don'ts of entering the investment community.

Have clear objectives. For example, if you're the founder, do you want to remain part of the business, or do you want to pursue other opportunities? What do you want in place for your management team and employees who remain? What are your financial goals?

"That was like the elephant in the room," says Graves Stevens, referring to the "cashing in" aspect of cashing out. "We just knew we wanted it to be fair. That was the word we always used. Well, fair is relative." Does that mean tucking some money away for your children, or does it mean never having to work again?

Have your house in order. From its early days, CTX Corp. tried to operate like a larger company by keeping its books "squeaky clean," having a board of directors and maintaining precise records from board meetings. CTX did so to be competitive with larger vendors not to woo investors in the future. Yet precise record-keeping paid off when it came time to sell.

"You hear about due diligence being painful, but ours was a very pleasant process," Graves Stevens says. In fact, CTX's due diligence took only one week: It announced the deal on Dec. 6 and closed on Dec. 11.

Hire the right experts. Whether it's brokers negotiating for you or consultants advising you, hire experts who understand your particular industry niche.

"Avoid Uncle Bob," stresses Graves Stevens, referring to individuals who know you well enough to try to tell you what to do, or even offer to represent you in a funding scenario. "Remember, when someone is ready to write you a check — whether for investment or to buy your business — the first thing they're going to do is find reasons to discount the price. Make sure you have experts representing you."

CTX ended up selling for \$35 million, about 100% of its revenue at the time.

"That was pretty high for companies in our space," Graves Stevens says. "If we had gone with our Uncle Bob, who was giving us advice along the way, we probably would have only gotten a fraction of that."

Have a thick skin. Graves Stevens admits that this piece was especially difficult. She recalls making presentations to potential investors and being filled with pride for her company and management team. Then after she sat down, investors would raise her blood pressure by zeroing in on something that had nothing to do with what she just said.

"Keep your eye on the goals that you defined early on and don't go into it with an emotional tailspin," she advises. "You'll have ups — and you'll have downs."

Searching for investors may be stressful, but it can also be rewarding if you plan appropriately. Besides allotting the necessary time, you may need to invest funds to get your company properly positioned.

"This is your baby," adds Graves Stevens. "You've put your blood, sweat and tears into it. You want to get the best return on it."

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