



Art of the Deal

There are four parts to a business deal:

1. Buyers and Sellers. App buyers have money to spend, want new opportunities, want a return on their investment, want an alternative to trade, and have an app development hedge. App sellers have something of value, have a reason to sell, and prefer money now over money later.

2. Elements of Successful Deals

- Both parties give up something.
- Focus is on the deal and not personalities.
- Both parties receive value.
- Both parties walk away feeling excited.

3. Types

- Cash: Typically fastest, but brings in less money because it requires more risk from the buyer.
- Earn-out: Buyer gives you a percentage up front, then pays you over a qualified amount of time.
- Acqui-hire: Someone buys your company because they like your talent pool.
- Merger: Companies combine forces.
- Exchange

4. Pitch. There are methods that can make your pitch more successful:

- Be objective.
- Illustrate their returns with little effort on their part.



- Be prepared to walk away.
- Be able to describe why you are selling.

When to Sell

There are four reasons to sell an app or digital business.

- **Business Timing.** It is good business timing to sell when your metrics are predictable and proven, you have demonstrable history, and your success is explainable and repeatable. And it is a bonus when something else comes along that you just cannot pass up.
- **Personal Timing.** It is good personal timing when you are no longer stoked about what you are doing, ready for something new, in need of cash, personally not capable of growing the business further, or in jeopardy of losing your health.
- **Market Timing.** Market timing is bigger than you. If you notice a bubble of apps like yours being acquired, take the money. If you notice a dearth of apps like yours being sold, put it on the market.
- **Experience.** Going through the process of selling gives you experience and connects you with others who are experienced people. You also learn to negotiate and set yourself up for better deals moving forward with credibility, connections, and structural know-how.

Mechanics of the Deal

These are the small details that make a big difference, when you decide to sell your business.

- **Organizing**
 - Develop a Profit and Loss Statement.



- Use Apptopia to centralize your app store accounts and analytics.
- Use Dropbox or Google Drive to centralize templates, graphics, SOPs, etc.
- Finding a Buyer. Hire a broker. Ask corporate or tax attorneys for connections. Check around via LinkedIn.
- Valuing. Valuing your business is an inexact science based on 24 months of revenue. Consider cash flow, profit consistency, control of future over ROI, repeatable traffic and success, organic vs. flash traffic, intellectual property, follow-on personal assistance, employee carryover, and whether your business could thrive without you.
- Negotiating
 - Do not overreach due to greed. Have a consultant such as an attorney for balance.
 - Understand why the buyer wants your business and whether you want to play to those reasons.
 - Mitigate the buyer's risk.
 - Know what you want before starting – price, payment method (cash, earn out, stock, etc.), and deal-breaker/walk-away point.
 - Closing. Be patient. Larger deals will take weeks or even months. If you need to close quickly, mitigate in advance and request 25% up front, long closing, and management assistance for three months. Above all, stick to your word.

Post-Sale

Have a plan for what to do after the sale.



- Break . Take a break! Unplug, relax, decompress, and get your head straight. Allow your body to stop running on adrenaline.
- Financial Planning. Get an accountant, reserve 30-50% for taxes, forecast a budget for any earn-app deal, pay yourself, invest in guaranteed safe buckets that earn 5-6% per year, and invest in a new venture.
- Networking. Now that you have credibility among your community, get out and network. Travel to events. Seek people with a variety of skillsets and new interests. Join with masterminds.
- Next Big Move. Consider every possibility and build your next venture using the wisdom of the last. Consider partnerships. Stay ambitious and keep growing.