

## 6 Keys to Writing Great Investment Teasers

### Axial

In this series we will share our research and high-level best practices on how to prepare the critical written materials required to sell / finance a private company. This post, tackles the investment teaser and provides guidance for industry executives, business owners and M&A professionals on how to write highly effective teasers.

An investment teaser is a professional document used to introduce an investment or acquisition opportunity to financial or strategic buyers.

From our research at Axial, we've discovered that active strategic buyers typically review more than 250 acquisition opportunities each year and buy approximately 1-2% of them. Most private equity firms, because they have a broader and more flexible acquisition criteria than strategic buyers, often review over 500 businesses a year and will often only make investments in up to 5 of those companies. For business owners and CEOs of private companies who are looking to successfully sell their business or raise growth capital financing, these odds place tremendous emphasis on the quality of the offering materials that you'll prepare for prospective buyers to review.

The first document that prospective buyers will review is called an "Investment teaser" or, even simpler, a "teaser"; while the other materials you prepare are crucial, our research indicates that the teaser is the most important document a business owner prepares as part of a transaction process. This is because the teaser is the first "filter" that every prospective buyer will review before moving forward. If the teaser does not attract the right potential buyer(s) and help screen out the irrelevant buyers, the rest of your sale or financing process will be much more laborious, much less efficient, and likely less successful.

Luckily, writing an excellent teaser is not rocket science, and this post shares with you the 6 Common Traits of Highly Effective teasers.

Think of potential buyers of your business as pilots on a search mission, soaring at high altitudes scanning for interesting businesses to finance or acquire. If they see something interesting from a high altitude, they drop down to lower altitudes to take a much more careful look. A teaser provides a 50,000-foot view of your company and gives preliminary access to information they would see if they were to go down to a 5,000-foot altitude. The goal of the teaser is NOT to sell your company, that will come later; the goal of the teaser is to ensure the right pilot(s) spot your company and fly down to the lower altitude.



## Here are our 6 Tips for Writing Highly Effective Teasers:

### 1. **After Reading Your Teaser, Buyers Should Have a Clear Understanding of Your Company.** In order to do this, The teaser must include the following:

- How your company generates revenue
- When your company was founded
- Sales and revenue mix of products and/or services
- The various industry categories you sell into
- How your company distributes its products/services
- The general backgrounds of your management team
- Overall financial profile: 3 years of historical Revenue and EBIT/EBITDA and at least two years of projected Revenue and EBIT/EBITDA
- 4-7 "Investment Highlights" that discuss the unique strengths of your company (i.e. market share leader, owns significant intellectual property, 3-year historical revenue growth of 20+%, etc)

2. **Clearly State the Goals of the Proposed Transaction.** Are you looking for growth capital, an ownership transition, recapitalization, liquidity event, consolidation of the shareholder base, etc? Are you looking for a hands-on partner to work through important issues or challenges, or are you primarily looking for capital to scale your existing business. Prospective buyers will appreciate your being upfront about your goals and your reasoning for wanting to conduct a transaction. This type of behavior builds a foundation of trust between you and any buyer(s) you decide to engage.

3. **Let The Hard Facts Do the Talking.** You are a serious company with serious and important goals. You want to attract professional, experienced buyers. Your teaser must be a professional-looking and professionally-written document. Always use a professional font (either Times New Roman or Arial). Send it as a PDF file. Do NOT capitalize words (i.e. AUTOMOTIVE AFTERPARTS SUPPLIER) , do not use flowery/wordy language, do NOT use gushing superlatives (i.e. "once-in-a-lifetime business opportunity" or hyped-up adjectives (i.e. "wildly profitable") to describe your business — they hurt your credibility and make you sound like a used-car salesman. Triple check for flawless grammar and error-free spelling.

4. **Tell the Truth.** This is vital. The worst way to start a transaction process is by being dishonest, withholding basic information or stretching your actual or projected financial performance. You will never rebuild the lost credibility with potential buyers, and the odds are incredibly high that they will uncover your dishonesty at some point during the due diligence process.



**5. Keep it Concise and Professional.** The teaser should be one full page. This forces you to write concisely and focus on the importance of every word in the teaser. Remember that your audience reviews hundreds of acquisition opportunities each year. Make your time count. You want them spending time thinking about how interesting your company is, not trying to understand what your company does and who it serves.

**6. NEVER Prematurely Disclose the Name of Your Company (or Other Identifying Information).** Prospective buyers will review the teaser prior to executing a confidentiality agreement, so make sure they cannot identify your company based on information contained in the teaser. There are many reasons to protect your anonymity, but the most important reasons are to preserve your company's freedom of action, avoid having competitors spread false or damaging rumors, and avoid alarming your employees.

If you follow these 6 tips and spend the required time to appropriately summarize your business and your objectives, you will receive superior interest. Again, it's not very difficult to assemble an excellent teaser, but it does take thought, time and effort.

