

## Case Study: Divestitures - Retaining Equity in the Business

### SAP Acquires Business Sold by Teradyne to Visiprise

**Equation Partners advised Teradyne on the sale of its manufacturing execution software business in 2003. In addition to receiving cash at the closing when it was acquired by Visiprise, a venture-backed company, Teradyne received shares in Visiprise, thereby retaining an equity interest in the business. Visiprise continued to invest in product development by raising substantial capital. It also increased its revenues and expanded its industry breadth by acquiring another company providing similar software to the aerospace industry. When SAP, the largest provider of ERP applications, acquired Visiprise in July 2008 for a large multiple of the original price paid to Teradyne, Teradyne received payment for its shares, thereby benefiting from the substantially increased value of the business.**

Many divestitures are initiated because a company determines that one of its business units is no longer key to its current growth strategy. The business unit may be growing and profitable, but it doesn't perform to its potential because it doesn't get the investment it needs to build the business. While a sale of the business unit may then makes sense, a cash sale may not capture the full value of the business because of the potential opportunity that has not yet been realized. By retaining an equity interest, the company can share in the continued growth of the business in the hands of the new owner who will seek to maximize its potential. There are, however, issues that arise in this type of transaction. For example, when the business is likely to need additional capital, it is important to protect the company's equity position, especially when the company will not participate in future financings.

**Equation Partners provides M&A advisory services and divestiture consulting services to technology companies.**

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