



# TECH STACK

## DESCRIPTION

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- Refers to the technology and systems in place that support the business's operations, growth, and innovation.
- A strong tech stack includes modern, scalable technologies that enable automation, security, and data-driven decision-making.
- A weak tech stack relies on outdated systems, manual processes, and increases vulnerability to cybersecurity risks.

## WHY PRIVATE EQUITY CARES

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- PE firms prioritize a modern tech stack because it supports operational efficiency, scalability, and future growth.
- A strong tech infrastructure reduces the risk of costly system upgrades or cyberattacks post-acquisition and facilitates data-driven decision-making.

## IMPACTS ON SELLER

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- **Modern Tech Stack:** Higher valuation due to scalability, reduced risks, and data-driven operations.
- **Outdated Tech Stack:** Lower valuation due to perceived risks and potential costs for upgrades or security issues.
- **Tech Investment Needs:** Potential for lower initial valuation, but buyer sees opportunity for tech improvements post-sale.

## EXAMPLE

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Factors	Weak	Medium	Strong
<b>Cost to Upgrade</b>	>\$500k	\$0-500k	\$0 to negligible
<b>Valuation Impact</b>	Becomes working capital expenditure	Becomes working capital expenditure	No impacts to EV
<b>Buyer's Risk Perception</b>	High	Moderate	Low

