

Decision Logic Snapshot

A strategic investor offering AED 10m —
and the question of what the money really buys

Sample case: Founder — 70% owner of a profitable UAE enterprise software company considering a 20% strategic investment

Please read first

This document is based on a simulated case. The company, the people and every figure in it are invented. It is published to show how a Decision Logic Snapshot is written and how deep it goes. Real client work is never published in any form. Nothing here is legal, financial, tax or investment advice.

WHAT YOU ASKED ME

Should I accept AED 10m for 20% of my company? Am I seeing a real strategic risk that the others are missing, or am I simply afraid to lose control?

MY SHORT ANSWER

Do not decide yes or no yet. The current deal asks you to give concrete equity for a mixture of concrete capital and largely unmeasured strategic promises. Rebuild the downside economics, define the conditions under which this investor genuinely adds value, and design the operating model that would absorb the growth. Then counter — and use the investor's response as part of the evidence.

Written after a focused Decision Session · Delivered within 48 hours · Anna P. Kovalerskaya, Black Phoenix Strategies

What you came in with

A large regional group has offered AED 10m for 20% of your profitable software company and wants to become a strategic partner. Your co-founder sees capital, faster expansion and a stronger regional position. You see the same upside — but you also feel that the company may be giving away more than 20%.

Here is what you told me, and what each fact means in practice.

What you told me	What it means in practice
Revenue is about AED 12m. EBITDA is roughly AED 2.1–2.2m and net profit about AED 1.7m.	The company is not raising rescue capital. You have the ability to say no, which changes the standard for what a good deal must deliver.
The investor offers AED 10m for 20%, implying roughly AED 40m pre-money / AED 50m post-money.	The headline valuation sits inside your own broad value range. The issue is therefore not obviously “too cheap”; it is what else the 20% changes.
Your 70% would dilute to 56%; your co-founder’s 30% to 24%. No secondary sale is currently included.	You both take dilution immediately while all cash goes into future growth. Founder liquidity is not part of the current economics, even though it was never tested as a negotiation point.
Standalone, you believe the company can reach roughly AED 20–24m revenue in three years, with AED 4.5–5.5m EBITDA.	The investor is competing with a viable standalone path, not with stagnation or failure.
The investment case targets roughly AED 35–40m revenue and AED 7–9m EBITDA in year three.	The deal only creates compelling economic value if the growth premium is real enough to outweigh dilution, execution risk and strategic constraints.
Three existing clients that overlap competitively with the investor contribute about AED 2.7–3m annual revenue.	The strategic shareholder may add credibility in one part of the market while reducing perceived neutrality in another. That downside was not originally modelled.
The AED 10m use-of-funds plan is mainly new engineering, implementation, Saudi commercial capacity and sales hires.	The capital primarily buys organisational capacity. If the operating model and demand triggers are wrong, it can scale cost faster than it scales revenue.

THE FIRST THING I WOULD CHANGE ABOUT THE QUESTION

You are asking “should I accept or reject this investor?” The question underneath it is: “can this deal be structured so the strategic upside becomes measurable, the downside is contained, and the company is operationally capable of using the acceleration I am buying?”

What is actually going on

This is not one decision. It is three decisions sitting on top of each other: whether the investor is right, whether the economics are right, and whether the company can absorb the growth the money is supposed to buy.

- 1 · The capital is an accelerator, not a rescue. Your company is profitable, generates cash and can continue growing without this transaction. That means the relevant question is not “can we survive without AED 10m?” but “is the speed this money may buy worth the dilution, governance and strategic constraints that come with it?”
- 2 · The investor’s strategic value is central to the upside case, but it is not yet contractual. Saudi access, ecosystem introductions, a large client relationship and faster regional growth are important reasons the deal looks attractive. Yet the current term sheet does not guarantee a minimum commercial contract, defined introductions or measurable market-entry support.
- 3 · Your model priced the upside more carefully than the downside. The 35–40m revenue case assumes the group becomes an anchor client, introductions convert and existing customers remain broadly stable. It did not initially model the risk that competitors of the investor may reduce business with you because you are no longer perceived as a neutral technology vendor.
- 4 · The investor changes more than your cap table. A 20% strategic shareholder can affect market perception, product priorities, information flows, future financing and exit options even if the legal documents preserve majority ownership. The real price of the deal is therefore not only 20% equity.

THE LOOP YOU ARE AT RISK OF FUNDING

Attractive AED 10m offer → assume faster growth → hire capacity ahead of proven demand → larger fixed cost base and management complexity → investor-led revenue arrives more slowly than expected / some neutral-market revenue weakens → founder becomes a bigger bottleneck → pressure grows to justify the deal because dilution has already happened → even more dependence on the strategic investor to make the original forecast come true.

- 5 · The money does not automatically solve your actual growth constraints. Today the bottlenecks are sales capacity, implementation capacity, Saudi commercial infrastructure and your own management bandwidth. Your use-of-funds plan largely buys people ahead of future demand, while the operating model for a 2–3x larger company has not yet been designed.
- None of this proves the investor is wrong for you. It means the transaction is not decision-ready in its current form.

Where your own thinking is working against you

What you do

Why it costs you

You treat the opportunity as if it may disappear unless you accept the investor's starting structure.

That keeps the transaction emotionally binary. A counterproposal is not rejection; it is the normal way to discover whether the deal still works when your interests are represented.

You count strategic access as upside before it has become measurable.

The investor's own 20% is specific. "Introductions", "ecosystem access" and "regional support" are not yet equally specific.

You assumed a fully primary round was the proper way to behave.

That was not a hard investor condition. You had silently removed founder liquidity from the negotiation before asking whether it was available.

You compare the investor mostly with slower organic growth.

The real alternative set may also include a financial investor, debt, staged financing or internally funded acceleration. A binary comparison can make one opportunity look more unique than it is.

You are planning to buy capacity before you have redesigned how a larger company will be managed.

Your current constraint is partly organisational. More people can remove delivery bottlenecks, but they can also create a larger system that still routes key decisions through you.

SOMETHING YOU SAID THAT DOES NOT ADD UP

You said the company's main growth constraint is not lack of money. Yet the transaction thesis assumes that putting AED 10m into the business will materially change the growth trajectory. That can be true only if you know exactly which bottlenecks the money removes, which it does not, and how the organisation will convert additional capacity into revenue. Right now, that bridge is not fully designed.

What this means. You do not need to choose between "take the money" and "lose the opportunity." You need to turn the opportunity into a testable transaction: define what the investor must actually contribute, price the downside, and make sure the organisation can absorb the acceleration before you commit to it.

Your three options, and what each one really asks of you

Option	What you get	What could go wrong	What has to be true first
A · Sign the current term sheet	Fast capital, immediate hiring capacity, a major strategic name and the possibility of faster Saudi/Qatar expansion.	You lock in dilution and a new strategic shareholder before the promised commercial value, market downside and governance consequences are properly priced.	You would need to be satisfied that the current documents already protect neutrality, control and product independence — and that the upside case is robust enough to justify the risk. You are not there yet.
B · Counter and run a transaction-readiness test	You keep the opportunity alive while making the investor prove what “strategic” means and making your own company prove it can absorb rapid growth.	The investor may resist, reduce the offer or walk away. Negotiation could take longer and expose disagreement with your co-founder.	Founder alignment, a downside model, clear non-negotiables, legal structuring, operating-model design and pre-agreed evidence for each major strategic promise.
C · Walk away and continue independently	You preserve neutrality, control and full optionality while funding growth from profit or seeking different capital later.	You may grow more slowly and lose a window of access, credibility or market acceleration that this group could genuinely provide.	You would need a credible standalone/alternative-capital growth plan so “no deal” does not simply become “no decision.”

What I think today

I would choose B. I would not sign the current term sheet and I would not reject the investor. I would first align with your co-founder, rebuild the economics around a real downside case, define your non-negotiables, and make a counterproposal that converts strategic promises into measurable value. In parallel, I would build the operating model for the growth you are planning to buy. The investor’s response then becomes evidence. A strategic partner who still wants the deal after reasonable protections and measurable commitments is more valuable than one whose value disappears as soon as it has to be defined.

What I would do next

Do these in sequence. The point is to remove the two biggest sources of uncertainty — what the investor is really bringing, and whether your company can use it without losing control of the business you are trying to grow.

- 1 · Align with your co-founder before you negotiate externally. Put the current upside case, the downside case and the strategic risks on one page. Agree what both of you are trying to maximise: speed, valuation, founder liquidity, independence, future exit optionality — and where the walk-away lines are.
- 2 · Rebuild the financial model around scenarios, not one attractive forecast. Compare at least: standalone base, standalone accelerated, strategic-investor base and strategic-investor downside. Model existing-client attrition, slower introductions, lower conversion and a higher fixed cost base. Then compare founder economics after dilution, not company revenue alone.
- 3 · Separate cash from strategic value. AED 10m is concrete. “We will open doors” is not. With your lawyer, convert strategic contribution into objective obligations or transaction mechanics where possible: the investor’s own commercial contract, defined market-entry support, valid introductions and measurable milestones.
- 4 · Protect neutrality and information boundaries. The definitive documents should address client-confidential information, conflicts of interest, board access, recusal, non-exclusivity and your freedom to sell to competitors. Do not assume majority ownership automatically protects operating independence.
- 5 · Protect product independence. Shareholding should not make your product team an internal development arm of the investor. Any bespoke work should be commercially scoped, priced and prioritised like any other major client requirement. Consider an internal capacity cap so one customer cannot silently consume the roadmap.
- 6 · Put founder liquidity on the table. You discovered that “all-primary is the proper structure” was partly your own assumption, not a hard investor condition. A modest secondary component may improve founder economics without undermining growth capital. Test the investor’s position rather than assuming it.
- 7 · Design the operating model before the hiring wave. Decide who runs a 60-person company, what stops reporting to you, when a COO/GM becomes necessary, which decision rights move down, and how sales, delivery and product capacity will coordinate at 25m, 30m and 40m revenue.
- 8 · Stage hiring against evidence. Do not spend the whole AED 10m merely because it arrived. Define commercial or delivery thresholds that unlock the next hiring tranche: qualified pipeline, signed work, implementation backlog, utilisation or another measurable trigger appropriate to the function.

What the deal has to prove

Do not let “strategic” remain a label. Before signing, the transaction should be able to answer these questions in concrete terms:

- What commercial contract will the investor itself sign, on what timing and at what minimum value?
- What exactly counts as a valid introduction — and which people, business units or markets are covered?
- Which strategic commitments are enforceable actions, and which are merely intentions outside the investor’s control?
- How is sensitive client information kept away from a shareholder that competes with some of those clients?
- Can you continue selling freely to the investor’s competitors, with no exclusivity or de facto restrictions?
- Which reserved matters, board rights, information rights, transfer rights and future financing rights could give a 20% shareholder practical negative control?
- What happens economically if the investor-driven growth arrives more slowly, while the larger team has already been hired?
- What does the company need to look like operationally before it can safely absorb 2–3x revenue?

WHAT THE TEST TELLS YOU

If the investor accepts reasonable protections, puts meaningful commercial skin in the game, and still wants the transaction after strategic value is made measurable, you have stronger evidence that the partnership is real. If the economics only work when introductions remain vague, client-conflict risk is ignored and hiring happens ahead of proof, the deal is not yet strong enough to justify permanent dilution.

One rule for the transaction

Do not give permanent equity today for value that exists only as a future promise. Where strategic contribution matters to the price you are willing to pay, ask your lawyer to structure the deal so value given and value received are linked as closely as the transaction allows.

07

What the problem is, and what it is not

You said

What I think is closer to the truth

“Maybe I am simply afraid to lose control.”

Control matters to you, but your concerns are not purely emotional. A strategic shareholder can change market neutrality, product priorities, governance and future options even when you remain the majority owner.

“AED 10m lets us grow much faster.”

It can finance faster growth, but your actual bottlenecks are sales, implementation, Saudi market entry and management bandwidth. Capital only helps if the operating system can convert it.

“Their name is a major reputational advantage.”

It may be an advantage with some buyers and a liability with direct competitors. The same shareholder can increase credibility and reduce neutrality at the same time.

“The strategic partnership justifies part of the deal.”

Only once the strategic contribution is defined. Today the equity is concrete and much of the partnership value is still aspirational.

“If I counter too hard, I may lose the opportunity.”

Yes. But you already established that losing a deal now would hurt less than discovering later that you accepted a structure you did not believe in. Negotiation is the test, not the threat.

“My co-founder wants this deal.”

He appears to want faster growth and earlier liquidity more than he wants this exact document. A better-structured deal may satisfy both founders more than the current binary debate does.

THE ORDER I WOULD DO THIS IN

1 · Align the founders on goals and walk-away lines → 2 · Rebuild the financial scenarios, including downside and founder economics after dilution → 3 · Design the future operating model and staged hiring triggers → 4 · Have transaction counsel translate strategic protections into the term sheet / definitive documents → 5 · Counter the investor → 6 · Use the investor’s response as new evidence → 7 · Then decide whether the deal deserves your equity.

The part people get wrong. A high valuation does not automatically make a good deal, and a strong strategic name does not automatically make a good investor. The right test is whether the transaction improves the company's expected future value after dilution, constraints, execution risk and loss of optionality are all counted.

08

What I am not sure about

This is what I think after one conversation. These facts could materially change the recommendation:

- I have not reviewed the term sheet or shareholder agreement. The exact reserved matters, information rights, transfer rights, pre-emption, tag/drag, change-of-control provisions and board mechanics could materially change the control analysis.
- I do not know whether the investor will accept a staged or milestone-linked structure, a secondary component, stronger information barriers or measurable commercial obligations. Their response is part of the test.
- I have not spoken to the three current clients that compete with the investor or to the two relevant prospects. The commercial cost of losing perceived neutrality is still an estimate, not observed behaviour.
- The 35–40m investment scenario and the 24–32m downside range are planning scenarios, not forecasts I can validate from one session. They need a proper finance model with assumptions visible and stress-tested.
- I do not yet know the economics of alternative capital: a financial investor, debt, staged financing or faster growth funded from internal cash. The current investor should not be compared only with “do nothing.”
- I do not know the real utilisation and throughput limits of sales, engineering and implementation. Before adding headcount, the company should quantify where capacity actually breaks and which hires solve the constraint.
- Legal structuring, tax, securities, shareholder rights and transaction documentation require specialist corporate and transaction counsel. This Snapshot identifies decision logic; it does not replace that advice.

One last thing. You came in asking whether your reluctance was simply fear of losing control. By the end of the session, the more useful question was whether you are willing to test the deal hard enough to find out what it really is. If the opportunity stops looking attractive when its strategic value has to become measurable, when downside is priced and when your operating limits are made explicit, that is not a lost opportunity. It is information you were better off learning before the shares moved.

Based on a simulated session. Any recommendation would change if the facts change or documents show a different picture. Strategic and analytical advisory: not therapy, coaching, legal, financial, tax or investment advice.

Anna P. Kovalerskaya · Black Phoenix Strategies · Dubai · London · annakovalerskaya.com