FIRST CONVERSATION TO LOI - AN INTERVIEW WITH JEREMY SEGAL

The time between the first conversation with a target and signing the LOI is the buyer's chance to make a strong impression. Knowing what steps to take and who to involve along the way is critical in order to stand out among other buyers, assess value alignment early, and gather support for the deal thesis.

Jeremy Segal

Executive Vice President of Corporate Development - Progress

Executive Vice President of Corporate Development at Progress, has perfected the art of balancing speed and accuracy during the bidding process. In this interview, he will walk through the best practices he implements to get targets interested and willing to enter into due diligence.

Kison: What is your background?

Jeremy: I've been doing corporate development for over 20 years, mostly in the Boston tech scene. I started first at Akamai, then LogMeIn, and now I've spent the last two and a half years at Progress Software. I'm responsible for executing our inorganic growth strategy mostly through M&A.

Kison: The process of **moving from the first conversation to securing an active deal on the table** is our topic of focus. There is a lot that happens during this time, and it's not the same for every deal.

Jeremy: This stage is incredibly important, and people take what goes into this stage for granted. There is a lot of work behind-the-scenes that builds up to the point where an LOI or indication of interest is submitted.

The process really starts with building trust and getting to know the company. The last thing I want to do is get on an initial call with a target company and say, "Hey, we're interested in buying you. What do you think?". The better approach is to say, "I would love to hear a little bit about your company and then I'll tell you about mine. Maybe there are interesting paths or partnerships we can explore together". Be more strategic rather than come out immediately and ask if they'd like to be acquired.

Have an actual dialogue and build a relationship. There are times when that relationship building piece can take three, six, or even nine months before there is even a conversation that circles an actual acquisition. In my experience, as target companies learn more about Progress and get excited about what Progress could mean for the future of their business, they get more and more interested in having that strategic conversation.

Most of the people we speak to don't even know who Progress is, and so our time is spent educating each other. I take a lot of pride in spending quality time with the companies via dinners or drinks with CEOs. I like getting to know them on a personal level.

That kind of effort pays dividends down the road when the relationship building stage moves to a conversation about entering into a strategic partnership or a deal. Building that trust helps the target company be enthusiastic about engaging with you.

We had a situation recently where we'd been talking to this one company for a couple of years. Over the course of that time period, they grew to know our team well. They met the GMs of our different business units. At one point, the light bulb went off and they asked to do something more strategic with us.

That is the ideal scenario; the target bringing it up with me first. Exposing them to more people within your company gives them better visibility into who you are as a potential acquirer.

In my experience, once a potential target knows more people on our team, they are more comfortable introducing us to a broader set of their people.

That is how we get to know the company better. The importance of people is so huge. Those relationships help provide greater confidence in a deal's potential success.

Kison: Are there any milestones or specific tactics at this point of relationship building that you're setting up for?

Jeremy: I wouldn't say there are any specific milestones that I set. I can't plan when we'll have conversations surrounding specific topics like sales or go-to-market, that has to be fluid and it really depends on the target company. Everything depends on their willingness to engage in those kinds of conversations. It's a learning process.

Some companies are more formal where they offer a demo after an initial call because they are excited about their technology.

If someone approaches me with a demo, I use that opportunity to bring my technical people on the call to see what the technology is all about. If my technical guys like the technology, we know we can keep moving forward and explore the opportunity further.

One of the great things that Progress has is our customer base. We have one hundred thousand enterprise customers. Three and a half million developers use our tools on a daily basis. These early startup companies would kill for that kind of distribution. There are ways to leverage our platform to get these companies excited.

However, I do not have a formal playbook as to how I engage with these companies. Sometimes it starts with the CEO of the target company itself. Sometimes it starts with talking to their lead investor. There are multiple avenues that we can take to get to know a company.

Kison: There are two big themes I'm pulling out of this:

1. **Building trust and forming a relationship.** Sharing information back and forth and exposing people on both sides to the other.
2. **Discovery and shaping the strategy.** During this discovery, both sides are demonstrating their respective solutions or capabilities and seeing where there is space for a partnership or acquisition.

Jeremy: That is a good synthesis of what I was saying. At this stage, we are learning about the company and assessing whether or not there is a potential deal. The nice thing about Progress is because we cast such a wide net with regard to what we look for across infrastructure software, we can look at a lot of different things. It is still important for us to understand what those businesses do and how they could fit within a respective business unit or respective product.

That takes time. I'm not a super technical person by background, so I'm very dependent on the technical people and the experts within progress to help me evaluate these companies and discover more about them.

Lots of companies are at the top of the funnel. Through learning and discovery, we're able to narrow the list down to a much smaller subset of companies that we actually want to engage with. From there, we work towards having discussions around a letter of intent.

Kison: How much of a hypothesis do you have going into that first conversation?

Jeremy: The hypothesis is usually pretty high-level out of the gate. We do a pretty good job at Progress of identifying the adjacencies and the interesting areas across all the different products that we have.

We have a general idea that if we're talking to a company in the observability space that it will have some interesting relevance to what we're doing with a couple of different products at Progress. However, we still don't know if the go-to-markets are aligned. We don't know if they've built in a similar type of technology that's going to easily integrate into Progress. There's a lot we don't know. Is this an interesting adjacency where we think there could be a relevant strategic rationale that we can develop as we learn more? That is the impetus for those initial calls. It's not much more than that.

Unless it's a company that is going through a process, there won't be financial data available for us to run an analysis. That would involve a more formalized process. In this case, we are doing broad outreach at a high-level and therefore maintain high-level hypotheses as well. We're doing discovery outreach and understanding if our go-to-markets are aligned.

We have a basic template for that initial conversation. There are certain things we're trying to observe:

- What is the company's history?
- What are their products?
- How big is their team?
- Are they a distributed workforce?
- Is their technology bilt open source?

Questions like these help us know if the company is going to be interesting and relevant to us fairly quickly. At Progress, we are not doing technology tuck-ins. If a company states they're hoping to generate revenue the next year, that is a good indicator that they are not a good fit for us.

If we learn that the company has a meaningful amount of revenue, and hits some of the other criteria, we can continue to have a meaningful and productive dialogue.

Kison: What do you do to get them to like you?

I like to think that I'm a likable guy just out of the gate. However, everything ties back to the initial dialogue and your ability to build trust. I spend time before I get on a first call looking at their LinkedIn to see if I have anything in common with them. Make little tie-ins such as shared education, shared experiences, or common connections to helps the conversation go more smoothly.

Many of the CEOs or target company individuals that I am talking to enjoy engaging with me more as opposed to discussing a strategic partnership immediately. Opening with business only creates a different tone. I think my target CEOs enjoy engaging

with me and then as a result, they are more open to meeting a broader set of folks within Progress. My CEO is more than happy to get on the phone himself and speak with target companies. This shows that we're serious, gives those target companies visibility at the highest level within Progress, and makes them feel important.

The hit rate is not 100%. There are certainly some companies that just have no interest. Since I'm a corporate development person, they understand where the conversation ultimately will go and usually refuse immediately to engage with me.

Given today's market environment, raising money is more difficult. There is no IPO window open right now. As an acquirer, we are a great liquidity alternative for a lot of these companies.

Kison: After building the relationship, developing trust, and doing the discovery, when does that threshold come for the time to be serious? When do you put the offer in front of them?

Jeremy: Especially for companies that are venture capital or private equity-backed, the partners on those deals are going to be very protective of their company and team. At some point, the rubber hits the road and the conversation has to start with regarding a deal or partnership.

We can determine a perspective or view on value with minimal information. If we get a basic financial pack, an anonymized census, or run an evaluation model, we can support a deal within a certain range. I can have that conversation with the venture capital or private equity firm or directly with the CEO if it's a bootstrapped company.

With the VC and PE firms, we typically know what the post money valuation on the last round is, so we can have a feel for whether or not we can offer something compelling. I would say, "Hey, these conversations have been going really well. There might be an opportunity for something strategic. We know you've raised X amount. We could do a deal somewhere within X range. Is that something you'd want to engage further into?"

When we get to that LOI stage, we have not had a chance to do much diligence. Perhaps there have been a couple of management calls, but we haven't dug in on the technology, sales pipeline, tgo-to-market strategy, HR, legal, and finance. There is much, much more to be uncovered but that is not possible until the LOI is signed.

We need to make it interesting enough to the venture capital/private equity person so that they are willing to open up the kimono to Progress. We will have that dialogue with the respective person on the other side, and if it resonates, we can jump right into an LOI.

Kison: How does that originate? Are you dealing with the management team to get to the venture capital or private equity person or do you speak with them directly?

Jeremy: Depends on a deal-by-deal basis. I typically like to find a soft landing. I don't like to do cold calling and just reach out to someone out of the blue. I like to see where I have connections or I can leverage to give me a nice introduction. Most of the time that is with the VC or the private equity person. I'll then request they do a warm introduction.

Instead of going directly to the CEO of the company, I might go to the VC or the PE if I have a relationship there. If I have a good connection to the company and I can get a nice warm intro to the CEO of that company, I'll do that instead.

I try to have that initial contact be warm as cold call outreach tends to have a lower hit rate. If it is on the investor side, you can approach by saying, "*Hey, we're interested in your company X. There are some interesting tie-ins to a product that we have at Progress. We bring some interesting things to the table and would love to have a* *preliminary conversation to get to know the company better."*

I am never coming out and directly stating I want to acquire the company. They ultimately know what I'm trying to do, but it's a courting process. If I can do a good enough job explaining why it could be interesting, the VCs and PEs are more than happy to make that introduction. If I do a good enough job with the CEO herself/himself, they're more than willing to have an initial conversation.

After the initial conversation, there should be relationship building, followed by working up to the point where a formal proposal occurs either as an indication of interest (IOI) or a letter of intent (LOI).

Kison: Before an LOI or IOI is signed, you usually have an NDA signed before, correct?

Jeremy: Yes, we typically have an NDA signed after that initial conversation. We don't ask for the NDA immediately. After we take the first step, we will bring up an NDA in order to more freely and openly share information about our company and move the process forward. It is not possible to offer an LOI or IOI unless you already have some financials and a decent amount of information.

When we're at that stage, we've typically already gotten the financial pack with details around the P&L, balance sheet, recurring revenue streams, and operating expenses. Their expectation is that they are sending information for us to put together an offer.

Sometimes building a valuation perspective on high-level information is possible. Obviously, we will need to validate the information during diligence, but can at least offer a range. Unless diligence will prove that a target company's revenue is significantly less than what was said, or their expense profile is significantly higher than what was told, the preliminary range provided won't change much.

There are situations where it is not possible to have that level of detail, but we can still sort out a preliminary perspective on what we think inappropriate value would look like. This is probably where it varies a bit from company to company in terms of how easy it is to get that information or how willing they are to share it.

In a competitive situation, such as a banker-led process, we have access to a lot more information. There will be a robust data room established already for preliminary diligence. If it is more of a proactive approach where we have reached out to the company and they're not in an M&A process, it takes a bit more courting time to build trust. If we get to that point where we're thinking there could be something more, we will then ask for more of the information above.

Keeping all that in mind, a letter of intent is a non-binding document and doesn't have indemnities and escrows. At the LOI point, the tone is, *"I think I can do something in the price range of X. This is the diligence that I still need to do and I'd like to have some period of exclusivity to hire all the third party resources that I need to do this work. We can try to negotiate a deal while we're doing that diligence."*
Kison: Can you walk me through the people that are involved to get to the LOI?

Jeremy: We typically have a pretty limited set of folks that are involved up to the point where we sign a letter of intent (LOI):

- **Our legal department** - they're helping us to negotiate the LOI.
- **Some of the finance team** - they are helping us to build out the financial model.
- **The executive champion along with one or two people from his or her team** - they're evaluating the company from a technology and go-to-market standpoint.

With the target companies, they're not bringing many people over the wall because they don't want people to get nervous that they are about to be sold. The target's team is usually the CEO, CFO, and maybe the CRO or CPO. Both sides have limited people involved. Once we execute the LOI, that is when we bring in more robust teams across functions.

Kison: So you have legal, a few executives, some finance members, and HR?

Jeremy: HR is not typically too involved pre-LOI. I have a good relationship with my Chief People Researcher. She's aware of the different deals I'm scouting and along with a couple of people on her team, but she doesn't do any work pre-LOI.

Kison: How do you confidently put in an offer around your synergies?

Jeremy: That's a good question because we are making certain assumptions. We will not change the price after we have an LOI signed. We are very focused on that and we'll walk away from a deal rather than retract on price. We have a good conviction of where we can have operational efficiencies. We know at Progress the percentage of revenue we need to operate a business successfully. We know how much sales and marketing we need to operate a business successfully. It makes it easy to identify synergy opportunities when we have a high level P&L.

We will make general assumptions going into diligence. If we conclude that we are not going to achieve the operating margin profile that we need to have to get a deal done, we'll walk away. However, we have done this enough that we have a high level of conviction that we're gonna be able to get a deal across the finish line.

If we've gotten some of that basic information before getting to the LOI stage, then the diligence process is really confirmatory and validating what we've assumed or what they've told us.

Kison: Now, how do you engage those people that you need to validate your synergies to make sure you're bidding accurately?

Jeremy: We have a core diligence team across all the different functions. We have spent a lot of time building up the bench across each of the different functional areas that evaluate a company. When we get to the post-LOI stage, we bring in a much broader set of folks to help us dig under the covers and truly understand the business. **It is done from both a standpoint of confirmatory diligence and also starting to map out a really detailed and thoughtful integration plan. Once we do get to the finish line, the company will get integrated into Progress in a seamless manner.**

Kison: The gap I am trying to figure out is, you have to model this off of your synergies, yet your functional leads get pulled in after you sign the LOI. How do you balance that out?

Jeremy: I think we've done enough deals to understand the parameters of what will make a deal work. We know that if a company is bleeding $10 million and doing $30 million in revenue, it is probably not a company that will reach the operating margins we need.

We tend to look at companies that have different operating margin profiles. We look at companies where they are spending 50% of their revenue on sales and marketing. We know and they're growing 5-10%. We know these methods are not efficient, so we know that we can do much better.

It is the same thing on the G&A side. Maybe they have seven different facilities, but no one's going into the office. We know we can operate that better. There are a lot of things that we can understand at a high level when we're looking at a deal that can give us conviction around certain assumptions.

The functional leads are the ones who will be living with the deal. Therefore, once they come in to validate it but express some concerns, ultimately we may have to walk away. These are harder discussions that can impact whether or not the deal model will work. However, even in this case, it is because we know what we're doing well and how to extract operational efficiency. Even in cases where we walk away, there is a high level of conviction.

Finance ultimately drives all this activity into an LOI. In terms of value, we work closely with the executive champion and the finance team to build out our assumptions about the business model. It is not effective if we just let the finance team say, "This is the model, and go live with it". There are a lot of inputs that come from the corporate development team, and the executive champion with the input they gathered while evaluating the business. You can set a basic set of assumptions from that. If we were to just let finance tell us this is what the model is, that would be ineffective.

Kison: You have your business unit leader, finance team, and head of corporate development all agreeing on the evaluation model to put a bit in. The CEO and CFO review it and assures they're comfortable with the numbers. Does it continue to live on as you go through confirmatory diligence? Are you updating the model as you get more information from functional leads?

Jeremy: The deal model definitely evolves and definitely gets more refined. One of the key reasons finance ultimately owns it is because that deal model is going to eventually transition into an operating model. We want to have a good understanding of all the different inputs and assumptions going into that model. At the end of the day, the business unit and the business unit's finance partner are going to live with those numbers and need to be comfortable with that.

Kison: How do you make sure your bids are accurate and don't miss a big capex or synergy?

Jeremy: We typically have enough dialogue before we submit an LOI that we have a good enough understanding of different aspects of the business. We discover whether it is a CapEX heavy business, a customer support heavy business, or whether it is heavily dependent on cloud hosting costs. Understanding how their marketing and sales departments are structured impacts this as well. There are many questions we ask to get enough insight into building out a preliminary model.

Kison: What are examples of big ticket items in regards to CapEx and synergies that you want to make sure you get right?

Jeremy: There is a lot on the "cost of goods sold" side. If they are using a third party provider like AWS, Azure, or Google Cloud, we want to understand those relationships. We want to ask questions like, "What are the dependencies? Are they just using it for computation and storage? Are they using it for other support?".

That can influence our ability to attain synergies. When it comes to facilities and office locations, it's key to know whether or not it is a virtual or office environment. We try to really dig in and understand the marketing initiatives that drive the top line. It is the same for sales. We look for the ratio of sales to SES and sales to account managers. There are many things we look for that allow us to say, "Here is a clear area where we can get synergy".

If it is a product that is similar to a product in progress, we know we can leverage our sales team to add that to the back. Maybe there is not as big of a dependency on another sales team. There are a whole bunch of things that as we evaluate a company that allows us to gauge possible opportunities for synergies.

Understand the business through the executive leadership and any financials that are mapped out or provided. If we see a company and they have 60% of revenue in sales and marketing, and their growth rate is sub-10%, we know there's something off-kilter there. If we see a company whose spending is north of 20%, we know that there are lots of efficiencies there. If their R&D is high, maybe they have high cost R&D people and we can move those costs to other centers of excellence for development such as Bangalore or Bulgaria.

There are many levels that we can look at as we build these models that give us conviction. It sounds weird that you can have that level of insight before you let all of the different functional folks go off and hit the ground running.

At the same time, we need to have some perspective because

we need to be able to assess whether or not we can get the kind of operating margin profile we need. To get to the kind of price that will resonate with the seller and the seller's investors. They always blame you for anything when it comes to post-close activity.

Kison: Tell me about the negotiation tactics you use when you put an offer in front of a target. Do you offer padding or how does that work?

Jeremy: Absolutely. I'm never going to necessarily give them the highest bid out of the gate. That leaves no room for negotiation. I definitely need to have some room to be able to move and make it a negotiation between both sides.

I usually have a good perspective of my range. If we can get alignment within that zip code and have a conversation. If they're in zip code X and I'm in zip code Y, we can agree to part ways now.

Kison: What does that look like? Is it a percentage range or are you just taking your top divided by two?

Jeremy: That's where we start, but it varies. There are some situations, such as in a competitive process, where we come on as strong as we can. In other situations, we're feeling each other out and we have some space to move. It depends on the company and the situation.

Kison: Is there a specific percentage?

Jeremy: It really varies from deal to deal and depends on what we want to accomplish. varies. Progress is not an acquirer that can typically preempt a process because we aren't out there paying crazy high multiples for deals because we don't trade it at crazy high multiples.

Anyone that is selling should have a basic understanding of where we're gonna be from a value standpoint. We need that deal to be accretive and they should know where we trade from a revenue multiple standpoints and from an EBITDA multiple standpoints. The only way we're gonna create shareholder value is by paying a multiple that's lower than that.

Kison: What about if it is a situation where you know the company is in trouble? We may see this happen with companies coming up.

Jeremy: There could be opportunities where we can get assets for cheaper prices than we may have been able to get last year. That is simply the result of the market environment. I still don't think there's an equilibrium between what sellers want and what buyers are willing to pay.

There's definitely more correction happening in the public markets and then the private markets. It's only a matter of time before those private companies say, "Hey, I'm gonna have a really hard time going out and raising more money. If I do raise more money, it's going to be very disadvantageous from the VC perspective." Now that VCs are in a position of power, it is a good time to sell. In order for them to make the same amount of money, they will have to have a valuation of 3 to 4 times where they are currently. Definitely, I believe there will be more companies willing to engage and explore that.

If you read the journal, PitchBook, or any of these publications on a daily basis, it's very clear that VCs are being much tighter with who it is that they fund. We focus on mature companies because we're looking for companies with scale. These companies will reach a point where they'll run out of money and won't have options; we'll be a good viable opportunity for them.

Kison: Are there other things you're negotiating on your LOI besides the purchase price?

Jeremy: It depends. I mean, there are certainly LOIs where the seller wants to negotiate more upfront.

Seller

- Purchase price
- Networking capital
- Rep warranty insurance

Buyer

- Exclusivity
- Retention packages
- Indication of internet
- Structure

They at least want to get some visibility from a purchase price adjustment standpoint. Understand what will happen with networking capital. There are certainly situations where the seller or the banker wants to know that you're going to commit to procuring rep warranty insurance as your recourse for indemnity. That can get negotiated during the LOI stage.

We're also trying to negotiate exclusivity. If we can get exclusivity, that's great. It is hard to expend hundreds of thousands of dollars on diligence resources and not know if you're even gonna win the race. Yet, in super competitive situations, you need to do it without.

When they're not as competitive, it's key to get that exclusivity period. Another high level negotiating point is structure. However, that is dependent on the tax work that you do and upon digging more deeply into the legal aspects of the target company. It is hard to really have a lot of visibility there.

We try to make it clear that we're gonna take good care of the people that we retain in the deal. We usually put together some sort of package of retention for them. That is negotiated in the LOI.

It's rare that you can get someone to sign up for an LOI or an indication of interest where you're basically just giving the price and asking for exclusivity. They want a little bit more detail.

In competitive situations that are banker led where there are up to four parties that are all seriously reviewing a deal. These bankers require diligence to be primarily complete before they select the winning party.

In those situations, you have to make the decision, **is it worth putting our best foot forward to potentially win this deal and thus incur these costs knowing that I might not get this deal?** Or do I just walk away?

It is a tough balancing act which is why we try to find more proactive opportunities. A banker-led

process is hard to control, while proprietary deals tend to offer exclusivity. We usually want in on a deal that we source and find ourselves. We're not gonna go through all that work without exclusivity.

Kison: What would be a reason to go with a banker?

Jeremy: They usually have a much more robust data room in place when you initially start doing diligence. In a proactive process where the company isn't really tee'd up to sell, the information trickles in a little bit more slowly. Bankers also bring a level of experience that helps entrepreneurs or sellers who are newer to that process not get ahead of their skis.

I had a situation where a company did not have a banker. It was really difficult to negotiate with them because they had never gone through a deal before. They didn't know what they were doing, and we were months down the road with this company and they got cold feet in regard to valuation. This is something that you should address early in the process when you sign, not when you're about to sign a definitive agreement.

If a CEO has been through a deal before and has processes in place, they don't need a banker.

If a CEO has never been through a deal before and they don't know the first thing about doing a diligence process, then using a bank would be beneficial.

Kison: Do you use these different LOI components as different levers in accommodation? For example: When buying a house, I can go out and bid very low on the purchase price, but an all-cash offer with no contingencies. I can close in five days and see if they counter. If they counter, then I'll throw back my contingencies and other variables to get that price significantly lower than other offers.

Jeremy: I am definitely focusing on all of the pieces involved such as:

- Price
- Speed
- Being able to get to a deal quickly
- A willingness to do rep warranty insurance
- Being more flexible on deal trends that are much more aligned with the market today versus three or four years ago

I'm highlighting these pieces along with things that differentiate us from other buyers. Price is one thing, but I can also offer to diligence them in 20-30 days rather than two months. I can negotiate a deal with cash on hand because I have a balance sheet of over half a billion dollars. They won't have to worry about financing contingencies and other things like that. I will leverage those things as much as possible.

We just did a presentation this morning to our legal team and we were talking about how rep warranty insurance is basically expected in most deals today. We've grown comfortable with using it as a vehicle for giving us the protections that we need. It really isn't a sticking point anymore whereas in the past it may have been.

Kison: Have you had a deal in the past where you proposed the idea of doing an acquisition before LOI?

Jeremy: These bootstrap situations that I was alluding to involved a very long courtship period. For example, sometimes there are two founders all on board with selling but the third one is not necessarily sure. Put in the extra work to convince that third party why selling makes sense.

Those kinds of scenarios have to play out over time. What are the things you can do to grow together? How can you help that person change their mind? If the person on the fence is in their sixties and on the final legs of their career, it becomes a great liquidity event and an opportunity to enjoy other things.

It is all about having a bigger platform and showing what the bigger platform provides. A small company that's been bootstrapped with maybe a couple hundred customers will salivate over the opportunity to be able to bring their product to a hundred thousand customers.

There are additional pieces that come with being a public company for their people such as being able to have a more robust 401k plan or stock in a public company that actually has liquidity as opposed to having a piece of paper that could never be worth anything.

Conclusion

The first conversation approach, and the steps leading up to the LOI, will vary depending on the company being targeted. Try to make the initial outreach as warm as possible. If there are any mutual connections, ask for an introduction. If there are any shared hobbies, education, or experiences, lead with that commonality to establish a good first impression. Even if a target knows you're in corporate development and can guess why you're reaching out, take the time to establish trust first.

As the conversation progresses, keep building that trust while sharing your company's values and introducing them to other team members. Eventually, when that strategic conversation surfaces, there will be an existing relationship upon which to build.

After the initial conversation regarding a strategic partnership takes place, get an NDA signed. An NDA can help teams collect information better that will lend to the high-level hypothesis regarding the deal. Unite the finance team, legal team, and the executive sponsor to create the financial model and start making considerations for an LOI/IOI. This model will eventually turn into the operating model.