Twitter Thread by Xavier Helgesen



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Did you know that 30% of funded search funds end up not making an acquisition?

We have bought eight beautiful businesses this year and learned a lot about what works and what doesn't.

Read below for case studies of the two best (20x) acquisitions I have seen. Happy New Years!

First - you pay for existing profits, but you usually pay nothing for the growth potential. Buying at 4x EBITDA and doubling a business, you now paid 2x. Your loan payments are only based on the price you paid. You keep all the growth as equity.

So there are businesses out there that have both boring, predictable profits today AND potential for substantial growth. Make sure you find one with both.

Business #1: Buyer paid $400k for an ecom business. High margins, bad marketing. Paid about 4x cash flow. Put 100% of his energy on social media growth marketing. Kept going and testing until he had the formula.

Key ingredients there: low purchase price, proven useful product, Hugh margins, poor marketing. The buyer brought the hustle and creativity to scale through social media marketing. It wasn't a passion product for him, but he liked the market.

Business #2: Buyer had a hobby that he was passionate about. Found a membership program that he loved run by a husband and wife team. Cold outreach to them: "would you ever consider selling your business for the right price?"

Similar to first one, his special sauce was scaling social media marketing and improving conversion. This was a subscription membership - low cost high utility and in a niche market.

Paid $800k plus a bit of seller financing. Again 4x cash flow approx. He 10x'ed the customer base in a few years. As @RyanBegelman says, there are riches in niches.

So why do so many searches fail? In my view, one huge problem is they overindex on consistency of profits and underindex on growth potential and strategy. As a result, investors don't get that excited even when they do find a deal. Boring is good. Boring and scalable is better.

Another problem is they don't solve for financing. Some businesses are easy to finance, some are hard. You want to talk to lenders early and often. They are your best sources of intel on how much debt you can access and at what cost.

So I often advise searchers to look for smaller (SBA fundable) opportunities as well the bigger $10-$20 million deals in the traditional sweet spot. You own more of the business and often have more unrealized growth.