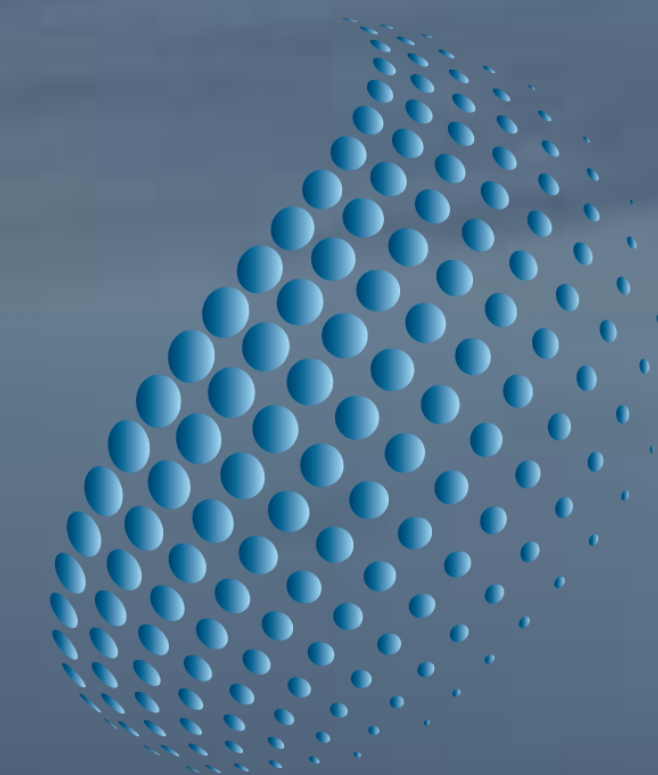


# Selling Your Life's Work

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Imagine you founded and built a business through a lot of hard work and effort over the last 20 years. At some point you may seek to offload some of the responsibility for various reasons.

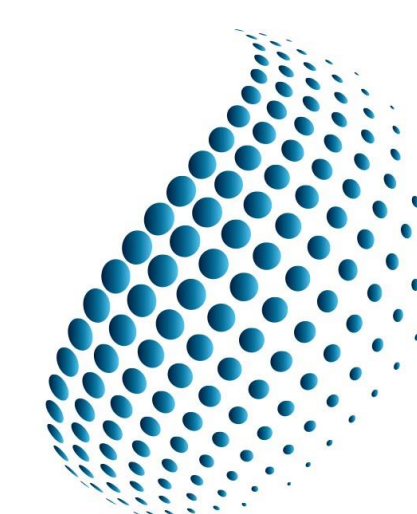
In the following, we share some of the perspectives of entrepreneurs on the ground who have decided to sell their business and their life's work to the serial acquirers within our portfolios. We enjoy talking to these sellers as we gain new cultural insights\*. Behind the important decision to sell are a number of considerations for the founder.

### “CEO-buddies”

We recently spoke to a founder who decided to sell to one of our serial acquirers last year who started his specialty tool business more than 20 years ago. After selling his business two years ago, he continues to run it. It was a personal match with the buyer. Both parties *"liked small steps."* The founder told us that he appreciates the fact that he now has the opportunity to talk and share ideas with other company CEOs in the group, even though the companies in the group are in different sectors and niches. He referred to the other company CEOs as *"CEO buddies"* because they share experiences, challenges, and ways to improve. After the transaction, the founder continued to run the company without interference from headquarters. He told us that the only change is *"monthly reporting"* to headquarters. *"Documentation is good"* the founder said, as *"it leads to more reflection"*

### Price not the most important aspect

Another founder we recently spoke to decided to give all the responsibility of the sell decision to the current management team, which owned 20% of the company. The management team needed to make the decision about who to work with on the ownership side. The company contacted an accounting firm and asked for a valuation of the company and advice on who to talk to regarding an acquisition. The company was introduced to the buyer through the accounting firm, and there was a cultural fit. According to the founder, price was far from the most important criterion in the decision-making process. Cultural match often trumps price according to our observations.





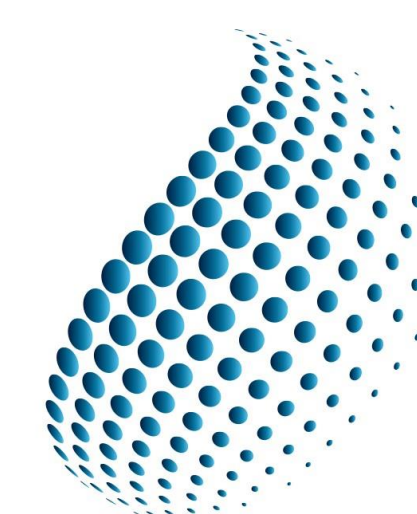
## Caring for employees

A third founder we spoke with recently had built a profitable business over many years and had been approached by one of our portfolio companies many years ago. Private equity firms were also knocking on his door at the same time. He said (loosely translated) that *"the deal offered by private equity would have been better for me financially, but I had no control over what would happen to my employees. They had built the company with me, and I could not bring myself to let them go into an unknown future."* The founder said he did not want to *"dramatically scale the business over the next five years and sell"* which was proposed by a couple of buyers.

The above insights from founders who chose to sell part of their life's work to our serial acquirers point in the same direction. When you build a business over decades, you develop an emotional attachment to it. Price is important, but soft factors and cultural fit are critical. The main motivation of these founders is not to "cash in" and get out on the golf course.

Capitalism does not always work by the textbook, which we believe benefits many of our portfolio companies in the acquisition process since they have an eternal perspective on acquired companies. The companies we own have a founder's mentality that enable them to negotiate and close attractive acquisitions for us as shareholders. As public investors, we enjoy the value creation in this process.

\*We have chosen to keep the company name and the founders who sold anonymous for obvious reasons



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