

THE OTHER SIDE OF THE TABLE

The Revenue Your Buyer Won't Pay For

Thesis: *Most founders know their revenue number. Fewer know whether it is the number a buyer will price from. Before a management presentation begins, a buyer has already built a second version of the revenue schedule: different columns, a different method, a different figure. The distance between the founder's table and the buyer's table is not a negotiating variable. It is a valuation input. And it is assembled in private, before anyone walks in.*

The spreadsheet had been built so many times that she no longer thought about the columns. She opened a new tab, typed in the company name, and began. Revenue schedule. ARR by customer. Contract end dates. Renewal terms. She had done this for more than fifty technology companies. She knew what she was looking for before she found it.

Three rows down, she paused. Customer A: twenty-two percent of ARR. Month-to-month agreement. No auto-renewal clause. She typed a number into a cell in a column the founder had never seen. The cell turned amber.

The management presentation was in two days. The founder would walk in with a slide showing twelve months of strong revenue growth. The line would go up and to the right. She had built a good business. She knew it. The woman across the table already knew something else.

Buyers do not pay for the number. They pay for what the number predicts. Most founders have never been shown the difference.

01 The Framework You Were Never Given

There is a framework. It was not assembled in a classroom. It was built through repetition: through the pattern recognition that accumulates when you have assessed dozens of comparable businesses and seen, across enough transactions, which variables predict the outcome and which merely decorate the information memorandum. The buyers who apply it do not announce it. They open a spreadsheet. They begin.

The founder almost never knows this is happening.

That is the asymmetry at the centre of every technology transaction. The experienced acquirer on one side, the first-time seller on the other. Not a negotiating asymmetry. A knowledge asymmetry. The buyer has a calibrated view of what a business like this one is worth, built from having applied the same analysis to dozens of businesses that looked similar from the outside. The founder has a view built from having operated this business from the inside. Those are not the same view.

The first dimension is the one the associate was already measuring in that spreadsheet, two days before anyone walked in.

FOUNDER THESIS

02 The Second Table

Revenue, for most founders, is a single number. It is the figure on the top line of the income statement. It is the number in the deck. It is what grew seventeen percent last year and is on track to grow more this year. It is the answer, in any ordinary conversation about the business, to the question of how the company is doing.

Revenue, for a buyer, is not a single number. Before anything else happens, a buyer builds a second version of the revenue schedule. Not the one the founder produced. A different table, with different columns, built against a different question. Not: how much revenue did this business generate? But: how much of this revenue is a buyer actually certain of?

The second table disaggregates the reported figure into its components. What is genuinely contracted, locked, and predictable? What renews by inertia rather than by commitment? What is project revenue, or implementation fees, or one-time items that happened to land in the reporting period? Each category carries a different weight. The blended result, which will not match the founder's headline figure, is what the buyer calls revenue quality. It is the number they price from.

A founder experiences revenue as arrival. A buyer prices it as survival.

The founder presenting twelve million in ARR and the buyer quietly working from nine million are in the same room. They are not looking at the same table.

WHERE THE DISCOUNT BEGINS

The second table exists whether the founder knows about it or not. It is being built from the materials she has provided, against a framework she was not given. The founder who understands it before a process begins walks in knowing what the buyer already knows. The founder who discovers it during a process is pricing from behind.

03 Four Ways a Buyer Rewrites the Top Line

The second table is built in four moves. Each one takes a dimension of the reported revenue figure and reassesses it through a buyer's lens. Together, they produce the figure the buyer will actually work from.

The first move is about composition. Reported ARR typically includes contracted recurring revenue alongside subscriptions that renew by inertia, project-based revenue, and one-time items that happened to fall within the period. A buyer separates them. Each carries a different multiple. A business reporting twelve million in ARR but holding seven million in genuinely contracted, committed recurring revenue is not a twelve million ARR business in the buyer's model. The number has already moved before any conversation about growth or strategy has begun.

The second move is about trajectory. Net revenue retention measures what happens to the existing customer base over twelve months, after churn, contraction, and expansion. Above one hundred percent means the base, left alone, grows. Below one hundred means it shrinks. Two businesses can report the same headline ARR on the same day while sitting at very different positions on this dimension, and the gap between them can span several multiples in the buyer's model. The founder who knows her net revenue retention has a conversation asset. The founder who does not has handed an interpretive advantage across the table.

The third move is about dependency. Buyers carry a sense, refined through experience, of the levels at which customer concentration begins to reshape deal structure rather than simply inviting discussion. A single customer representing a material share of ARR draws attention. As that share rises, the buyer's concern shifts from price to architecture: earnout provisions, escrow arrangements, retention conditions tied to specific accounts. Most founders are aware they have concentration. What they typically do not know is how the combination of concentration and contract certainty is read together in the second table.

FOUNDER THESIS

The fourth move is about rights. Are there change-of-control provisions in the customer agreements that allow a customer to exit on a transaction? Are contracts automatically renewable, or does renewal require an active conversation? Are the agreements at the company level, or are they personal relationships with the founder that have never been formally documented? The buyer's legal team is asking these questions during diligence while the commercial team discusses growth. The answers are already shaping the second table before the founder knows her first version is in question.

04 Why the Timing Is the Argument

The second table is not assembled during due diligence. It is assembled before the management presentation. By the time the founder walks in, the buyer's version of her revenue already exists.

The difficulty with the second table is not that it is hard to understand. Once a founder sees the framework, the dimensions are logical. The difficulty is that the problems it surfaces are not short-cycle problems. They cannot be resolved in the weeks between appointing an advisor and distributing an information memorandum.

Customer concentration cannot be meaningfully reduced in six weeks. A customer representing a fifth of ARR cannot be diluted to an acceptable level through organic growth in the time available after a process has begun. Contractual certainty problems cannot be fixed retroactively under deal-room conditions without raising questions about why contracts are being renegotiated while a sale is in progress. Net revenue retention trends take at least several quarters to establish credibly. Composition issues, once discovered by a buyer, become disclosed risks, not addressable gaps.

The founder who walks into a management presentation with these issues present and unaddressed has two choices. She can disclose them and accept the discount. Or she can not disclose them and discover, during diligence, that the buyer found them anyway. Neither is the outcome she was building toward.

The founder who identified these issues two years earlier had a third option. She could address them while the business was running normally, without the pressure of a live process, without the scrutiny of a buyer who had already applied for exclusivity. The two-year window exists precisely because these are not short-cycle problems.

The buyer's second table is not a surprise a founder can prepare for during a process. It is the context in which every subsequent conversation takes place. A founder who has never built her own version of it is walking into a room where the other side of the table already has one.

The associate's spreadsheet is not a due diligence step. It is the opening move. It was built before the founder walked in. Everything that happens after it is shaped by what was found in it.

05 What Comes Next

Most founders reading this know their revenue number. Very few have built the second table. They have not been shown how, because the people who could show them earliest are not typically engaged until the moment when the gap between the two tables has already become a priced discount.

Issue 07 moves to the second dimension: commercial transferability. The question a buyer asks about every customer relationship, every account managed personally by the founder, every partnership agreement signed before anyone was thinking about a transaction. The question most founders have never applied to their own customer base.

The associate finished the spreadsheet. She typed a summary line at the bottom of the document. In the second column, the one the founder had never seen, the cell was amber. Not red. Addressable, she wrote, with sufficient time.

The management presentation was in two days. There was not sufficient time.

FOUNDER THESIS



Cube Capital advises founders and boards of Australian software and technology companies on exit preparation and cross-border M&A transactions. The firm works exclusively on the sell side, retained by founders who want an independent view of what their business is worth and what it would take to make it worth more.

Hani Iskander is Founding Partner. He has founded technology companies in Australia and the United States, led the Asia Pacific region for a NASDAQ-listed software company, and spent four decades at the intersection of technology and capital markets.

web: cube.capital email: hello@cube.capital

Founder Thesis began with Arc One, *The Prepared Founder Premium* (Issues 01–05).

The Other Side of the Table is Arc Two.

Issue 06 *The Revenue Your Buyer Won't Pay For* · [this issue](#)

Issue 07 *Your Customers Don't Belong to You*

Issue 08 *Who Actually Owns Your Software?*

Issue 09 *The Number That Decides Your Multiple*

Issue 10 *The Risk You Are*

Issue 11 *You're Not Selling History*

Issue 12 *Technical Debt Is Financial Debt*

Issue 13 *The Deal That Falls Over on the Seller's Side*

Issue 14 *The Prepared Business Premium*