

Arc Three: The Acquirable Company

The Company a Buyer Can Own

Thesis: A business that performs is not the same as a business that can be owned. The first depends on its founder. The second can change hands. Buyers do not pay for performance alone. They pay for the part of the business that survives the founder walking out the door. That part has a name. It is acquirability, and it is built long before a buyer asks to see it.

01 The Question

Every founder dreams of a particular meeting.

It arrives years in, after the late nights, the near misses, the quarters that did not go to plan, and the private doubts no one else saw. A serious buyer sits across the table and treats the business as something worth owning.

Most founders never reach that room. Their companies close, plateau, or become good businesses that never quite become saleable. The meeting stays imagined.

Cristina reached it.

After thirteen years, her software company was generating \$32 million in recurring revenue, at a healthy margin, and still growing. On the shorthand measure software buyers use, she was well past respectable. Revenue was growing at 29%. EBITDA was \$7.5 million, a margin of 23%. Her Rule of 40 score was 52.

The buyer, a North American company, had acquired hundreds of software businesses. Mark was its person on the ground in Australia.

By the time he and Cristina sat down, the work had been done. Her M&A adviser had prepared the information memorandum, the document that lays a business bare for a buyer, and had answered round after round of Mark's questions. Mark had read all of it. What he wanted now was to meet the founder.

This is not a meeting most founders are ever offered. When Cristina had raised money, investors were everywhere. Angels, venture funds, wealthy individuals, many willing to take a call. A buyer of this kind is different. It does not sit down with founders who want to sell. It sits down when an adviser brings it an acquisition opportunity worth the trouble.

To be in the room with Mark was, in itself, a kind of arrival.

Then Mark asked a question that sounded almost casual.

If we were to acquire your business, how long would you need to stay?

Cristina began to answer, and then she stopped. The honest answer was not a number of months. The honest answer was that she did not know how the business ran without her. The pricing sat with her. The largest customers called her mobile. The roadmap lived in her head. Her team was good, and they checked with her before anything mattered.

She had reached the meeting every founder pictures for years. She had not, it turned out, built a company anyone else could own.

Cristina is not the exception. She is what many successful founders become: indispensable to the company they hope to sell. If you intend to sell your company one day, Mark's question is already waiting for you. What you do not yet know is how you would answer it.

Founder Thesis

02 Two Different Things

There is a difference between a business that performs for its founder and a business a buyer can own. For as long as the founder remains in the chair, the two can look identical. The business works, so the founder assumes the business is strong. From the inside, performance feels like proof.

A buyer asks a different question. A buyer is not paying for what the business has done. A buyer is paying for what it will do next, under different ownership, possibly without the one person who has held it together. The question is not whether the business is good. The question is whether the business is the founder.

This is what Arc Three is about. Arc One looked at the founder. Arc Two looked at the buyer, and how risk becomes price. Arc Three looks at the business itself, as the thing being sold. Can it be owned by someone who is not you?

The name for the answer is acquirability.

A business that performs is a result.
A business that can be owned is an asset.
Only one of them sells.

03 The Test

Acquirability is not a score for how well a business runs. It is a measure of how much of the business can transfer to a new owner, and how much stays attached to its founder.

None of this is a flaw. The founder is usually the best salesperson, holds the key relationships, and makes the call when the call is hard. That is how companies get built. It becomes a problem at exactly one moment, the sale, when the founder's value to the business turns into the buyer's risk.

A buyer is not only asking whether the company works. A buyer is asking whether control transfers. Revenue must transfer. Relationships must transfer. Decision-making must transfer. Knowledge must transfer. When those four things stay attached to the founder, the buyer is not acquiring a company. It is acquiring a dependency.

The test is simple to state and uncomfortable to sit with. Remove the founder, on paper, and ask what breaks. If the answer is the revenue, the relationships, the decisions and the knowledge, then the business has been running on borrowed strength, and a buyer will sense it inside the first meeting.

Acquirability is not a yes or no. Most founder-led companies can be sold at some price. The real question is how much of that price the founder gives away, because the buyer must rebuild everything that was never built into the business.

04 Where It Usually Breaks

Those four things rarely fail in the abstract. In a founder-led software company, dependency hides in plain sight, because it does not look like dependency. It looks like responsiveness. It looks like judgement. It looks like a founder who cares more than anyone else. There are five places it usually sits.

The first is customer ownership. If the largest customers still call the founder when the price changes, when a renewal is uncertain, when the product disappoints, or when they want to know what is coming next, the relationship has not transferred to the company. The contract sits with the business. The trust still sits with the founder.

The second is sales. Many companies have a sales team but not yet a sales engine. The founder still enters late, tells the story, handles the hard objection, adjusts the price, and gives the buyer the confidence to proceed. The salespeople are there. The founder is still the reason the deal closes.

The third is the product. In software companies the roadmap can look documented while the real logic lives

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elsewhere. Why this feature and not that one. Which customers to listen to and which to disappoint. A buyer looks for the system behind those decisions. If the system is the founder's judgement, the product has not left the founder's head.

The fourth is management. A company can have managers and still not have management depth. The test is not who reports to the founder. It is whether anyone below the founder can make a consequential decision without waiting for permission. In a dependent company, the founder is the only person who can say yes.

The fifth is memory. Every business has ways of doing things that are never written down. Exceptions, workarounds, pricing logic, promises made to customers, the reasons behind old decisions. While the founder is there, this memory feels efficient. To a buyer, it looks fragile.

By now you have probably found your own company in at least one of these. That is not a verdict. None of this means the company is badly run. These are usually the marks of a founder's standards and closeness to the market. They are also the places where value quietly leaks in a sale. The work of acquirability is to move trust from the founder to the company, decision rights from the founder to management, and knowledge from memory into systems.

05 What the Market Does With It

Founders tend to assume that a profitable, growing business will sell. The market does not agree. The Exit Planning Institute estimates that only 20% to 30% of privately held businesses taken to market actually sell. The figure spans the whole private-company market rather than software alone, but the pattern beneath it holds. Many of the businesses that do not sell are profitable. Profitable and transferable are not the same thing.

The pattern shows up wherever a buyer can measure it. Public-company rules in the United States require any single customer representing 10% or more of revenue to be disclosed. Those are not private M&A rules, but they show how seriously capital markets treat dependency, and in a private sale the thresholds bite harder. Past 20% of revenue in one account, many buyers move from interest to investigation. Past 30%, some decline to look at all.

And a founder can clear every performance benchmark and still fail the test. The KeyBanc and Sapphire Ventures survey of private software companies put expected revenue growth at 20%, with net retention above 100%. Strong numbers, and beside the point. Growth and retention describe how a business performs. They say nothing about whether anyone other than the founder can own it. The qualities that make a business transferable are also the ones that make it ownable by the widest field of buyers, and competition, not performance alone, is what moves the price.

06 You Cannot Build It in the Room

There is a reason this cannot be fixed once a process begins.

A data room can be assembled in weeks. Acquirability cannot. You cannot move years of customer relationships off yourself in the weeks before an information memorandum goes out. You cannot grow a layer of management that does not yet exist. You cannot turn what lives in your head into something the business knows on its own. These are not documents to be gathered. They are conditions to be built, and they take the one thing a live process will not give you, which is time.

This is why acquirability is decided long before the buyer arrives. By the time the question is asked across a table, the answer has already been built, or it has not. The founder who can step back is not the one who negotiated hardest. She is the one who started early.

07 The Arc Ahead

The issues that follow take the question apart. The business that cannot be handed over. The buyer who never calls. The missing second person who can say yes. The company that remembers without its founder. Each takes one of these dependencies and shows how a founder begins to move it out of themselves and into the company, long before a buyer asks. The question underneath them all is the same.

Founder Thesis

How much of the company remains when the founder steps back?

Cristina did not lack a good business.

She lacked a transferable one.

The difference cost her nothing while she was in the chair.

It cost her a great deal the moment she tried to leave.

THE ACQUIRABILITY ASSESSMENT

A buyer will test transferability during diligence, when the answer can no longer be improved. The Acquirability Assessment lets a founder test it earlier, before dependency becomes a discount. It shows where dependency still sits, across customers, sales, product, management and memory, and is the entry point to Nexxit, Cube Capital's acquirability programme.

Begin the free assessment at nexxit.ai

NEXT ISSUE

Issue 16, *The Business You Can't Hand Over*: what founder dependence really costs, and why the most valuable businesses are the ones their founders can walk away from.



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 how buyers will price their business, where value may be lost, and what can be done before a transaction begins.

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