

Arc Three: The Acquirable Company

One Buyer Is Not a Market

Thesis: Acquirability earns a company the right to be wanted. It does not, by itself, set the price. A single buyer can give you a deal. Only a market gives you a price. The founder who sells an ownable company to the only buyer in the room gives away, in one conversation, the premium he spent years earning.

01 Daniel Could Leave

Daniel could answer the question Cristina could not, the question every buyer eventually asks: if the founder leaves, what still works?

After fourteen years, his software helped utilities schedule and dispatch field crews across three states. The business generated \$41m in revenue, most of it recurring. It was growing at 22% and carried a 31% margin. On the shorthand software buyers use, his Rule of 40 score was 53. This was not a fragile company.

But Daniel had built the thing Cristina had not. He could leave. The largest customer relationships were held by an account team that did not route through his mobile. A second layer of management made the calls he had once kept for himself. The pricing logic, the roadmap, the reasons behind old decisions, all of it lived in systems the company owned rather than in the founder's head. Set Daniel's name to one side and ask what broke, and the honest answer was: not much. He had made his company ownable. By that test, he passed.

So when the email arrived, he was ready for it.

It came from a North American acquirer that had bought dozens of businesses like his. The sender, a corporate development director named Sarah, had been following the company for a year. She admired what he had built. She wondered whether he might be open to a conversation.

He was. The conversation went well. It became several conversations, then a number, then a process he ran himself, quietly, the way a careful founder protects something he does not want to spoil. He did not want to look as though he were shopping the business. He did not want to cool the interest of the one buyer who had taken the trouble to find him. So he kept it close.

Daniel did not think of this as naïvety. He thought of it as discipline. He had watched other founders cheapen themselves by looking too eager, and he had no wish to become one of them. A quiet, bilateral conversation felt more dignified than a marketed process, and more in his control. He mistook discretion for control. He granted exclusivity when Sarah asked, because refusing felt like bad faith. Some months later the deal closed, at a number he could explain to his family in one sentence.

He never learned what a second buyer would have paid. There was no second buyer. He had seen to that himself.

Sarah's number may have been fair. It may even have been generous. Daniel could never know. There was nothing against which to test it.

A single buyer does not name a price. It names a ceiling.

02 When a Buyer Calls First

There is a reason the most attractive businesses are so often approached before they ever reach the market, and it is not flattery.

A buyer that initiates may be buying many things. One is often the absence of competition.

Founder Thesis

The approach is a strategy, run by people whose job is to acquire well, which means acquiring before a contest can form. The warmth is real. So is the calculation beneath it.

None of this means the call should be refused. Serious inbound interest is a good sign, and sometimes the right buyer genuinely does call first. The error is not taking the call. The error is letting the first caller become the market.

The data is unsentimental about how this ends. In a hand-collected study of merger negotiations, the researchers Tingting Liu, Micah Officer and Danni Tu found that full-scale auctions are uncommon. Most companies are sold not through a broad contest but through a negotiation, or a process that begins with a handful of interested buyers and narrows, deal by deal, toward a single one. The buyer who made the first move was usually the one with the strongest apparent valuation, and the one most likely to win.

Read that twice if you are a founder. The buyer who calls first is not the underdog. By the numbers, he is the favourite. When Daniel took Sarah's call and kept it private, he did not begin a sale. He confirmed the position the data says the initiating buyer almost always occupies, and quietly removed the one thing that might have threatened it.

This is not an argument against ever narrowing to a single buyer. Most deals end with one, and that is fine. The danger is not the single buyer at the end. It is the single buyer at the beginning, before any price has been found.

Competition does not need to exist forever. It needs to exist long enough to reveal a price.

03 A Price Without a Market

A price is only real when the seller can walk to another one.

This is the part founders find hardest to feel, because the offer in front of them looks solid. It has a number on it. But a single number, from a single buyer, floats free. It might be generous. It might be light. There is nothing in the room to measure it against, and the one party who knows what the business is worth to them has no reason to say.

There is an honest objection here, and it is worth meeting. Sometimes the buyer who calls first genuinely is the one who values the business most, and a disciplined private negotiation, well anchored, can do better than a crowded auction. That is true. The difficulty is that a founder cannot know he is in that case without a credible alternative to read it against. A buyer who asks for exclusivity early is betting that he cannot tell the difference, and is paying to make sure he never finds out.

Here the evidence turns honest in a way worth pausing on. The same researchers found that final premiums were broadly similar however many offers were exchanged. It would be easy to read that as proof competition does not matter. It is the opposite. It means the visible negotiation at the end, the arguing over the last turn of the multiple, is not where most of the price is made. By the time a founder is haggling over the final number, the important negotiation is already over.

It happened earlier, in a decision the founder may not have recognised as a negotiation at all: whether to create a credible alternative before the preferred buyer asked for exclusivity. The real negotiation is not the offer. It is the process that produces the offer: who is contacted, who is kept warm, what is released, when it is released, and when the field is allowed to close. Price is not argued into being. It is revealed by tension, and tension has to be built before the offer arrives, not after.

Daniel had no somewhere else. He had given it up, politely, one reasonable step at a time.

04 Exclusivity as a Shut-Down Move

The most important moment in Daniel's sale was one he did not notice. It was the morning he agreed to exclusivity.

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Harvard Law and Business School professor Guhan Subramanian has a name for what Sarah did: the shut-down move. In *Dealmaking: The New Strategy of Negotiauctions*, he describes how a buyer can seek exclusivity early, framed as a test of the seller's seriousness, to foreclose competition before it can take shape. It is how Amazon secured Whole Foods, requiring exclusivity to keep other bidders out of the room. Done well, it ends the auction before the auction begins.

That is a large, public example, but the move is not reserved for giants. The same thing appears in smaller, founder-led deals, only with gentler language. A buyer asks for focus. For confidentiality. For clean diligence. For proof the founder is serious. The words are reasonable, and the commercial effect is identical: the field closes before it has formed.

For the buyer, it is sound strategy. For the seller, it is the moment leverage crosses the table. Once Daniel could speak to no one else, every later surprise in diligence became his to absorb, because he had nowhere to go. He had agreed to negotiate alone with the one party that benefited from every later concession.

05 Acquirability Is Admission

Here is the cruelty of Daniel's position. He had done all the hard work of making his company ownable, and that is what made the mistake so expensive.

Acquirability is not the price. It is the price of admission. Building a company a buyer can own is what earns the business the attention of many buyers, the strategic and the financial, the domestic and the offshore. It widens the field. It is necessary, and it is hard, and Daniel did it.

But a field that is never assembled pays nothing. The asset earns you the room. The contest sets the number. To make a company ownable by the widest market and then sell it to the first buyer through the door is to do all the work of filling a room and then closing the door behind one person. Cristina lost value because her business could not transfer. Daniel may never know whether he gave anything up. But the one buyer who could own his business never had to compete for it.

*Acquirability earns a business the right to be wanted.
Competition is what turns being wanted into being paid.*

06 Competition Cannot Be Summoned Late

There is a reason this cannot be repaired once a single buyer is established.

A competitive field is built, not staged. You cannot credibly conjure a second bidder once you are months into exclusivity with the first. Buyers can smell a bluff, and a bluff that fails usually costs more than it saves. The alternatives have to be real, and they have to be alive before the first conversation turns serious, held open by someone whose work is to resist the one thing every sale process does on its own, which is collapse toward a single buyer. This does not always require a broad auction. It does require a credible alternative.

That collapse is not a flaw in the process. It is the gravity of the process. Most deals end there. The discipline is not avoiding the single buyer at the close. It is making sure that by the time the field narrows to one, a price has already been found, because more than one was once genuinely in the room. That is not nerve. It is preparation, sequencing, and a process run by someone whose only loyalty is to the seller.

*Daniel did not lack a business a buyer could own.
He lacked a buyer who had to compete to own it.
The first took him fourteen years to build.
The second would have taken a few months of disciplined process.
He never knew the difference, because the only number he ever
heard was the one he agreed to.*

Founder Thesis

THE ACQUIRABILITY ASSESSMENT

A buyer's first offer is rarely just a price. It is a process move. Nexxit prepares founders before that move is made: clarifying the likely buyers, what each would value, where the business may be discounted, and what must be built before a competitive field can form. Acquirability earns the right to be wanted. Preparation turns that interest into a market.

Begin the free assessment at nexxit.ai

NEXT ISSUE

Issue 17, *The Clause That Lets Your Best Customer Leave*: the change-of-control rights buried in a founder's own contracts, how they surface in diligence to stall or reprice a sale, and why the time to fix them is long before a buyer ever looks.



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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