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Founder Thesis

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Thirty Thousand Names

Thesis: Professional acquirers map the software market years before they intend to buy anything. Founders often begin mapping the buyer market on the morning the first email arrives. By then the buyer has a map. The founder usually does not. An unsolicited approach is not evidence of a market. It is evidence of one buyer's interest.

01 The List

Somewhere in Toronto there is a list.

Nobody outside the company will tell you how long it is today. What we have comes from analysts and investors who studied Constellation Software years ago, and what they described was a database of more than thirty thousand software companies, growing by four thousand names a year. Every name assigned to an employee. Every employee expected to stay in contact several times a year, for as long as it takes, which is sometimes a decade.

That was the picture published in 2019. Constellation does not disclose the number, and we should not pretend to know what it is now.

We do know what happened to the other number. Constellation owns more than eleven hundred software businesses today. It buys around a hundred a year.

It is widely reported to have sold only one business in its history, a decision Mark Leonard is said to have regretted.

Read that again, because it is the part that matters. Not that they buy. That they do not sell.

If you run an Australian software company with recurring revenue, a defensible niche and a few hundred customers who cannot easily leave, there is a good chance you are on a list like this one. Probably several. Constellation is the largest and the most studied, but it is not alone. Banyan Software has acquired more than a hundred and twenty businesses since 2016 across nineteen countries and has never sold one either. It describes itself, without embarrassment, as the opposite of private equity.

You have never heard of most of them. They have heard of you.

02 The Tuesday Email

Martin read it three times before lunch.

He had built compliance and student management software for registered training organisations for eleven years, after fifteen years inside the vocational education sector watching the same problems go unsolved. Three hundred and forty colleges and RTOs ran their enrolments, funding claims and audit reporting on his platform. Revenue was $11.4 million, and $9.8 million of it recurred whether he did anything that month or not.

The email was four short paragraphs. It named two of his competitors, correctly. It named the regulatory change coming in the following financial year, correctly. It said the writer had been following the business for some time and would value an introductory conversation, with no obligation and complete confidentiality.

It was courteous, specific and flattering, and it was flattering in a particular way. It suggested that somebody had looked closely and been impressed.

Martin did not reply for nine days. He told his wife the first night, then nobody else for a week. He looked up the firm. It was real, it was large, and it owned businesses he had heard of.

Here is the detail he did not think about, and it was sitting in his own inbox.

He had received two like it before. One in 2023, from a different firm. One in 2021. He had deleted both without replying, because he had not been thinking about selling in 2021 or 2023, and neither had felt like anything at the time.

He had not been discovered. He had been on a list for six years, and this was simply the year that somebody's patience and his own curiosity happened to meet.

> *The email is not a discovery. It is a scheduled contact, made by somebody whose job is to make it.*

03 What Three Buyers See

For nine days Martin asked himself one question. What is the company worth?

It is the wrong question, and the reason is more interesting than the correction.

Consider three buyers looking at the same business on the same day.

The permanent owner is buying predictable cash flow. It may care less about entering Martin's market than about the durability of his position inside it: recurring revenue, renewal rates, pricing power, customers who are difficult to dislodge. This is the model Constellation runs across eleven hundred businesses and Banyan across a hundred and twenty, and in Australia it is already busy. Constellation's Vela APX acquired Elcom for $12.5 million in 2025. Banyan took Medtech Global the same year.

The strategic buyer is buying something else entirely. It wants three hundred and forty Australian education customers, a regulatory position that would take four years to build, and a footprint in a market it has decided to enter. In April 2026 Svitla Systems acquired Melbourne's Kiandra and called it a formal entry into the Australian market.

The sponsor-backed platform is buying a bolt-on. It already owns something adjacent, and what it values is some combination of customers it can sell to twice, products it can add, coverage it can extend and costs it can share.

Three buyers. The same $9.8 million of recurring revenue. Three different things being bought.

That is where price differences come from, and it is why the view of a single buyer, arriving unannounced on a Tuesday, is not a view of the market. It is one reading, by one reader, with one set of reasons.

A permanent owner may be exactly the right buyer for Martin. The mistake is not talking to one. It is mistaking one buyer's logic for the market.

> *An unsolicited approach is not evidence of a market. It is evidence of one buyer's interest.*

04 The Three Doors

Martin thought he had three options.

Ignore it. This requires nothing and feels safe, and on Tuesday it is safe. What it costs is information. He learns nothing about who wants the business or why. He will get another email in eighteen months and be exactly as unprepared as he is now.

Have a light conversation. No commitment, just a chat. This is the option that sounds most reasonable and the one that can cost the most without ever feeling like a cost. A corporate development director having an exploratory conversation is not merely chatting. He is qualifying, and he has done it dozens of times this year.

Within two calls he will be trying to understand Martin's revenue, growth, churn, concentration, management depth and, perhaps most valuable of all, Martin's state of mind.

Whether he learns those things is Martin's decision, and Martin has not thought about it. And if the buyer offers a valuation range, delivered warmly as an early indication, Martin now has an anchor that may follow him for years, including into the conversations he has with himself.

Readers of this series have watched where that road goes. In Issue 16, Daniel granted exclusivity to his first and only buyer and never learned what a second would have paid. In Issue 23, Andrew countersigned an offer and the buyer walked in the fifth week of a six-week exclusivity.

Take it to market. Appoint an adviser, find every credible buyer, run a process, let them compete.

That is the answer you would expect an M&A firm to give, and the one you should be most sceptical of coming from me.

So here is the research.

05 What 841 Transactions Reveal

Tingting Liu, Micah Officer and Danni Tu reconstructed the sale processes behind 841 completed acquisitions of listed American companies, worth close to five trillion dollars between them.

Sellers contacted an average of eleven potential buyers. About two actually bid. By the final stage, only a quarter of transactions still had more than one bidder in the room.

Premiums were broadly similar whether the sale had been run as a single negotiation, a contest between a handful of buyers, or a broad auction.

These were transactions averaging billions of dollars each, and the premium percentages have nothing to say about an $11 million Australian software company. One pattern travels anyway. Processes that began broadly and produced only one interested buyer were associated with substantially lower premiums than deals negotiated bilaterally from the start. Association is not causation, and part of the explanation is surely that weaker companies attract fewer bidders in the first place.

The lesson is not that processes fail. It is narrower and more useful. Competition cannot be manufactured by announcing an auction. It exists or it does not, and the most expensive moment to find out is halfway through.

> *Going to market does not create a market.*
> *Sometimes it reveals that you never had one.*

06 The Fourth Door

Which is the point at which most founders conclude there is no good answer, and they are wrong.

There is a fourth door, and it does not involve replying cleverly, running a process, or deciding anything about selling.

Reply courteously. Keep the relationship. Disclose nothing material. Discuss no valuation. And then, quietly and on your own time, find out what you do not know.

Who is this buyer, and what have they bought before? How do they typically structure a transaction, and what happened to those businesses afterwards? Why would this particular company matter to them? Who else has a plausible reason to want it, and would any of them want it for a different reason and therefore at a different price? How would the business look under scrutiny if somebody serious opened it up tomorrow? And what could be changed in the next twenty-four months that would make three buyers care rather than one?

None of that requires a sale. None of it tells a buyer anything. Most of it can be done without a single approach being made to anybody.

And it produces something the founder did not have on Tuesday morning, which is a map. Not a valuation, a map. The knowledge of who the buyers are, what each of them would actually be buying, and where this business sits among them.

There is a second effect, and it is the one Martin would have valued most had he known to want it. A founder who understands the buyer market is under far less pressure to sell into it. The map does not push him towards a transaction. It gives him the standing to decline one.

07 The Ninth Day

On the ninth day Martin picked up the phone. Not to the buyer.

The person at the other end asked him questions he had not thought to ask himself.

Why this buyer, and why now? What else do they own, and what happened to the founders? If the answer to the second call is a number, what number were you planning to say? Who else could gain more from this business than the company that wrote to you? You are not selling until 2029. What could you change before then that would put three of them in the room instead of one?

Martin had spent nine days believing his decision was whether to answer an email.

It was not.

His decision was whether to let the first buyer who happened to write define the market for a company he had spent eleven years building.

He replied on the tenth day. He was warm, brief and entirely non-committal, which was more or less what he would have written on day one.

The words were nearly the same. The man writing them was not.

THE APPROACH TEST

Four questions, worth answering before the next email arrives, not after.

1. How many credible acquirers exist for this business today, and could you name them?
2. Which of them would be buying something other than your recurring revenue, and what would it be?
3. If you replied warmly tomorrow, what would the other side learn about you in the first two calls, and what would you learn about them?
4. And what could change in the next twenty-four months that would make three buyers care rather than one?

THE ACQUIRABILITY ASSESSMENT

The approach arrives whether or not the map exists. Nexxit helps founders build it beforehand: who could credibly acquire the business, what each of them would be buying, and which factors are strengthening or weakening how they will see it. The Assessment is the entry point to Nexxit, Cube Capital's acquirability programme.

Begin the free assessment at nexxit.ai

If an email has already arrived, the question is more immediate. Before anything material is disclosed or any expectation is set, understand who the buyer is, why they are interested, what alternatives exist and what is better left unsaid. Cube Capital works with founders at precisely that point.

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Cube Capital advises founders and boards of Australian software and technology companies on strategic options, exit preparation and cross-border M&A transactions. In a transaction the firm acts for sellers, not buyers, and is 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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Sources

Constellation Software Inc. operating group disclosures for the number of businesses owned. The prospect database of more than 30,000 targets contacted several times a year is drawn from analyst and investor commentary published in and before 2019, not from company disclosure, and its current size is not known. Australian transaction activity from Mergermarket/ION Analytics reporting and company announcements. Foreign investors accounted for 45 per cent of Australian deal value in 2025 against 30 per cent in 2024, per PwC Australia's M&A Outlook 2026. Process research: T. Liu, M. S. Officer and D. Tu, "Negotiation, auction, or negotiauction?! Evidence from the field", covering 841 acquisitions of listed US companies; those transactions average in the billions of dollars and their premium figures are not applicable to Australian private transactions.

Founders and transactions described in Founder Thesis are composites drawn from recurring patterns in software M&A. Named acquirers and announced transactions are matters of public record.