

The Five Years You Cannot Sell

Thesis: A profitable plateau does not force a decision. It pays the founder to postpone one. But every year of continued ownership is a new investment, and it deserves the test any investment would face: knowing what you know today, would you buy it?

01 The Forecast That Never Moved

Every July, as the new financial year began, Stuart opened the same spreadsheet. He inserted another year of actual revenue, changed the dates and extended the forecast by twelve months. The first year was always modest. The following years were different: accelerating growth, a stronger sales team and, by the final column, \$30 million in annual revenue.

One July, for reasons he could not quite name, he opened a copy saved four years earlier before touching the new one. The ambitious growth was all there. It had simply moved four columns to the right.

*The dates had changed.
The curve had not.*

Stuart had started his software company twelve years earlier. Before that, he had spent a decade building safety and compliance systems for mining companies and the contractors who worked on their sites. He knew how a contractor was inducted, certified, rostered and audited, and how much risk and waste sat in the paperwork that moved between a mine site, a contractor's office and the state regulator. He believed that a purpose-built SaaS platform could become the industry standard.

The early results encouraged him. Customers paid for the product. Recommendations brought in more customers. By year eight, annual revenue had reached \$11 million, helped by recurring subscriptions and implementation services. Stuart had created a substantial business without bringing in outside shareholders.

But the last four years had been different. Revenue had moved between \$11 million and \$12.5 million. The company remained profitable, employed a capable team and paid Stuart a comfortable income. Its customers valued the software. Nobody was demanding an urgent change of direction.

Stuart was not deluded, and his optimism was not baseless. Annual customer retention was above 95%. A second product, launched two years earlier, was winning its first enterprise customers. Every quarter the pipeline showed opportunities large enough to change the year, and some of them closed. Everything he measured told him the business was good. Nothing he measured told him it would reach \$30 million. Those were different questions, and he had been answering the easier one.

When friends asked about the business, Stuart still spoke about the \$30 million opportunity. Increasingly, however, he spent more time explaining the shortfall than describing the path forward.

The commodity cycle. A difficult market for sales talent. A multinational competitor. Procurement teams taking longer to approve anything.

Every explanation contained some truth. None explained why his forecast had been wrong in much the same way, year after year.

The company had not failed. That was precisely the problem.

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02 The Talent That Built It

Over thirty years working with technology companies, I have met more than a hundred founders. A recurring pattern has stayed with me. Many are outstanding at building products; others are outstanding at getting products into customers' hands. Far fewer founding teams possess both strengths at an equally high level. The skills reinforce each other, but one does not substitute for the other. An excellent product without efficient distribution can remain a small business. An excellent sales organisation cannot permanently compensate for software that customers do not value.

Stuart was a builder. When a customer asked for a complicated integration, he could see the solution almost immediately. His roadmap contained dozens of sensible enhancements. He believed that better functionality would make the product easier to sell.

His sales organisation never became equally strong. Senior salespeople came and went. The largest contracts still depended on Stuart. Marketing was largely a succession of campaigns rather than a repeatable customer acquisition system. The company was selling, but it had never learned to distribute at the scale envisaged in the business plan.

Each time growth disappointed, Stuart returned to the lever he trusted most: the product. Another module. Another integration. Another release. The product improved. The constraint did not. Stuart was treating the strength that built the company as the answer to every challenge that followed.

And some limits lay beyond anything he could hire or build. Stuart once counted the organisations in Australia large enough to need his platform: the mine operators and the larger contractors that worked for them. There were about 500. He already served 180, nearly all of them on every module of the core platform. Most of the rest were locked into contracts with competitors or had built their own systems. The next hundred customers were not in the Pilbara or the Bowen Basin. They were in Chile, Canada and West Africa, in markets with different regulation, different procurement and competitors who had already spent the money Stuart would need to spend to reach them.

*His ceiling was not a failure of effort.
It was a property of the market he had chosen twelve years earlier.*

The market had moved as well. A global software provider had entered Australia with an existing sales network and a broader product suite. Some customers were consolidating technology suppliers. More recently, AI had begun to change what customers expected and what certain software capabilities cost to build.

None of those changes necessarily doomed the company. Stuart still had valuable customer relationships, specialised workflows and deep industry knowledge. But they changed the assumptions behind the original opportunity. He could decide what his team built and how it sold. He could not decide the size of the market, a multinational's strategy or the pace of technological change.

His forecasts kept reflecting the market he had hoped to enter, not the market in which he now competed.

03 The Comfortable Cul-de-Sac

Seth Godin makes a useful distinction in *The Dip*. Some difficult stretches reward perseverance; beyond them lies a materially better outcome. A Cul-de-Sac is different. Effort continues, but it does not take you somewhere new.

For founders, the dangerous Cul-de-Sac is often invisible. A company in distress forces hard questions. A profitable company that has reached a plateau may force none. Employees are paid. Customers renew. The founder retains control and a respected position in the industry. There is always enough progress to justify one more year.

Stuart had not consciously decided that \$12 million was the right size for his company. Had he done so, there would have been nothing inherently wrong with the decision. A profitable business at that scale can be a fine result for someone who wants to own and operate it indefinitely.

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Instead, he continued running a business suited to one outcome while telling himself he was still pursuing another. His self-image remained attached to the larger company he had intended to create.

There was a quieter distortion in the numbers. Stuart paid himself \$240,000 a year. Replacing him would take a chief executive and a head of product, at a combined cost closer to \$650,000. The difference appeared nowhere in the accounts. On paper, the company's annual earnings were \$2.2 million. Any buyer that needed the business to run without him would normalise them to about \$1.8 million. Almost a fifth of the profit Stuart was proud of was salary he had never taken, and it would come off the price at whatever earnings multiple the buyer applied.

The same founder who challenged every expense in the business had never applied equivalent scrutiny to the cost of his own time. He had never thought of it as an investment, but it was one.

There was no independent board pressing him to revisit the strategic plan. His managers were good at running their departments, but the company had never developed a habit of challenging the founder's central assumption. Every annual planning session began with a new explanation of why growth would accelerate.

A founder can be rational about pricing, costs and product priorities yet deeply reluctant to reconsider ownership. The business carries the memory of the first customer, the difficult payroll months, the product releases and the employees who helped build it. Selling below the scale once imagined can feel like conceding that part of a life's work did not achieve its promise.

Past investment explains attachment. It does not justify future investment. Time and capital already spent cannot be recovered by spending more of either.

Stuart could have continued for another decade.

*And because he could,
he did not have to decide whether he should.*

04 What Another Five Years Buys

There is a question I have heard too late in founders' careers: why did I not sell five or six years earlier? The answer is not always that the eventual selling price was disappointing. Sometimes the company sold for a reasonable price. It simply did not become much more valuable during the additional years of work.

This does not mean selling early is automatically the better financial decision. A founder who retains a business may receive substantial distributions, benefit from future growth and ultimately achieve a higher price. A founder who sells gives those possibilities away. The comparison must include likely sale proceeds, earnings and distributions during the holding period, taxes, reinvestment alternatives and risk.

It must also include something less easily measured: what the founder could have done with the years released by a sale. That might be another venture, investments, family, travel or simply an end to the responsibility of running an organisation every day. The relevant question is not whether the company can be worth more in five years. It is whether the expected reward justifies the capital, uncertainty and five additional years of the founder's life.

Waiting also assumes that the option to sell remains available on similar terms. It may not. Technology changes. Strategic buyers acquire other companies or develop capabilities internally. Customer contracts expire. Key people leave. A founder who waits for an unsolicited approach allows another party's timetable to determine when a serious ownership conversation begins.

Personal circumstances can also remove the luxury of timing. Illness, family change or the departure of a crucial technical leader can turn a planned exit into a hurried one. A sale that could have been prepared becomes a sale that has to be completed, and buyers price the difference.

*None of these risks requires Stuart to sell.
They require him to stop treating the status quo as a decision without cost.*

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He had several genuine choices. He could accept the company's present scale and operate it deliberately for income. He could invest in a professional distribution function, bring in complementary leadership or raise growth capital, provided the economics supported doing so. He could explore a merger, or a sale to an owner with the channels his company lacked and for whom Australia was one market rather than the whole market. The one choice he had not properly examined was the one he kept making: another year of the same strategy, justified by another year of an increasingly familiar forecast.

05 The Question No One Asked

Stuart stayed with the old spreadsheet for longer than he expected. He compared what the business had achieved with what he had once believed it would achieve. Then, for the first time, he tried to remove the history from the decision.

Suppose he did not own the company. Suppose someone offered him the business today, at the price a buyer would actually pay for it, knowing its customers, strengths, management, growth record and competitive position. Would he commit that capital and the next five years of his life to running it?

He did not know the answer.

Then he noticed something else. He did not know the price either. Twelve years of forecasts, and not one estimate of what the business was worth to anyone but him.

The question was not an instruction to sell. It was a demand to separate two decisions that had become tangled: whether the company was worth building in the first place, and whether he should continue to own it now. The first had been answered twelve years earlier. The second needed to be answered with the facts available today.

The business might have a larger future under different leadership or different ownership. It might be better held as a profitable, smaller enterprise. It might deserve a serious investment in distribution. What it no longer deserved was an automatic five-year extension of an ambition that had not been tested against reality.

He closed the file. That July, for the first time in twelve years, he did not roll the forecast forward.

I have seen founders work extraordinarily hard to create valuable businesses, then spend years defending the original vision after the market and their own priorities have changed.

Their mistake is rarely a lack of commitment.

It is failing to recognise when commitment has stopped being progress.

A business can be sold. Capital can be redeployed. A founder can build again. The five years spent waiting are the one part of the business no buyer will pay for.

THE FIVE-YEAR TEST

- 1 If you did not already own this business, would you buy it today, at the price a buyer would pay you for it, and commit the next five years of your life to running it?
- 2 What evidence, rather than hope, says the next five years will be materially different from the last five?
- 3 What would maintainable profit look like after paying market rates for the work you currently do?
- 4 Do you know what the business is worth today, and to whom? If you did, would it change your decision?

These questions may support continued independent ownership. They may lead to a leadership change, a capital raise, a merger or a sale. Their purpose is not to force an exit. It is to prevent another five years from passing without a deliberate choice.

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A CONVERSATION WORTH HAVING

The first question is often hard to answer for a simple reason: few founders know what their business would be worth today, or to whom. Finding out commits you to nothing.

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Founder Thesis is written for Australian software founders who want to understand how buyers think before one is in the room. Every previous issue is at <https://cube.capital/perspectives>

Sources

Seth Godin, *The Dip* (2007), for the distinction between a Dip and a Cul-de-Sac.

Founders and transactions described in Founder Thesis are composites drawn from recurring patterns in software M&A. Stuart is a fictional composite, not an identifiable client or a documented transaction. The financial figures and operating details in his story are illustrative.

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