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Founder Thesis

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The Value Only One Buyer Can See

Thesis: What a buyer could afford to pay and what it needs to pay are different numbers. The distance between them is set less by the buyer who wants your company most than by the buyer who comes next.

01 Slide Twenty-Three

Two years after she sold her company, Kate found out what it had been worth. Not from her adviser, her accountant or the buyer. From slide twenty-three. Or so she thought.

A former colleague sent it late on a Tuesday night. There was no message, only a link to the acquirer's investor day presentation and a page number.

The slide carried a chart and a headline. The product Kate had spent ten years building had been renamed, folded into the acquirer's platform and sold to contractors across North America. Four thousand new customers in two years. The line on the chart climbed from the day the deal closed, and by the right-hand edge the product was earning more than three times what her whole company had earned in the year she sold it. A sentence underneath, written for analysts, described the acquisition as one of the best the company had made.

Kate read the slide three times. Then she did the arithmetic she had spent two years avoiding.

Her company made software that let building subcontractors prove, on the morning they arrived on site, that every worker was inducted, licensed and insured. It sounds dull. It was dull. It was also the thing that stopped a site manager turning away a crew of forty at seven in the morning. By its tenth year, more than a thousand contractors in Australia and New Zealand used it every working day. Revenue was about fourteen million dollars, most of it recurring, and the business made money. A few hundred of those contractors also ran their projects on a large North American construction platform, and years earlier they had asked Kate to connect the two systems. She did, because they asked.

And she had sold it well. This is not a story about a founder who took the first offer. Kate hired an adviser. Five buyers reached the final round: a private equity fund, a UK compliance software group, her largest Australian competitor and two North American construction software platforms. Nobody was granted exclusivity until the bids were in. The larger platform, the one her customers already used, won with fifty-two million dollars, comfortably more than the private equity fund believed the business was worth on its own. Her staff kept their jobs. Her board sent flowers. Her adviser called it a textbook process.

It was. That is what made slide twenty-three so hard to read.

Kate had done what founders are told to do. She had built a company more than one buyer wanted, and she had made them compete for it. The buyer that won still kept most of the value her company went on to create.

Part of the explanation was worked out in the nineteenth century by people selling postage stamps by mail, and much later it helped earn an economist a Nobel prize. The rest was something Kate had built herself, years before the sale, without knowing what it was. Neither had anything to do with how hard she negotiated.

02 The Case Against Regret

Before the explanation, the honest objection. Kate was not underpaid in any simple sense. The platform did not buy four thousand customers. It bought a product, then spent two years and a great deal of money earning those customers. It rebuilt her software to run inside its own. It trained a sales force many times the size of her whole company. It took the risk that contractors in Texas would not want what contractors in Queensland needed. Plenty of acquisitions that look this promising on the day they are announced never deliver. Had this one failed, nobody would have sent Kate a slide.

Nor could Kate have done it herself. She had tried. Three years before the sale she spent eighteen months, and most of a year's profit, trying to open the American market. She won eleven customers. The platform reached more contractors in a week than she could reach in a year.

So the value on slide twenty-three did not simply belong to Kate, or to the platform. It existed because the two had been combined. Her product without its customers was a good Australian business. Its customers without her product were a gap in its platform.

M&A practitioners call this synergy, a word worn smooth by overuse. Stripped back, it means value that does not exist until a transaction creates it. That makes it a strange thing to sell. Kate could not show it in her accounts, because it was not hers yet. The buyer could see it in its forecasts, because it was nearly the buyer's.

Which changes Kate's question. It is not whether she was paid enough. It is why a well-run sale could pay her for so little of the value her company made possible. When value does not yet exist, who decides how it will be divided?

Not the buyer, as it turns out. Not the seller either. Mostly, the buyer who comes second.

03 What the Stamp Collectors Knew

In the 1870s, most American stamp auctions were held in New York, and many serious collectors could not attend. So auctioneers began to accept bids by post, to give out-of-town collectors the same chance as those in the room. A collector would study the catalogue, write down the most he would pay for each stamp, and mail it in.

That left every auctioneer with a question. If the highest bid by mail was ten dollars and the next was two, what should the winner pay?

In 1893, a stamp firm in Northampton, Massachusetts, printed its answer in its sale catalogue. The highest bidder would win, at a small advance above the second-highest bid. A few years later, a New York auctioneer spelled out the same rule with an example. A collector who offered ten dollars, against a next-best offer of two, would pay two dollars and ten cents.

He had been willing to pay ten. He would pay two dollars and ten cents. Not because he bargained well. Because nobody else wanted the stamp very much.

Nearly seventy years later, the Columbia University economist William Vickrey worked out why a rule like this makes sense. In a 1961 paper in The Journal of Finance, he showed that when the winner pays the second-highest bid, every bidder can safely write down exactly what the item is worth to them. What you write decides whether you win, not what you pay. His work on incentives and auctions was recognised with a share of the 1996 Nobel memorial prize in economics.

The gap between what the collector was willing to pay and what he did pay was his to keep. Economists call it surplus. And here is the part founders rarely hear. The winner does not set the size of that surplus. The bidder who came second does. Had the second bidder valued the stamp almost as much as the winner, the winner would have paid almost everything it was worth to him. Because the second bidder valued it at a fifth, the winner kept the other four-fifths.

A company sale is not a stamp auction. Nobody writes down a true maximum. Buyers bid without seeing each other's numbers, and a buyer unsure of its rivals will often pay more than it strictly had to, simply to be sure of winning. The seller can walk away. Price is negotiated, structured and renegotiated. Recent research by Florian Hoffmann and Vladimir Vladimirov in The Journal of Finance even sets out conditions under which a well-structured negotiation with fewer buyers does better for the seller than a broad auction.

So the stamp auction is not a rule for pricing companies. It is a way of seeing something the rule makes obvious. What a buyer could afford to pay is one number. What it needs to pay is another. The distance between them is set by the alternatives on both sides of the table, and the alternative that matters most is usually the next buyer.

04 Five Bidders, One Buyer

Now look at Kate's sale the way the buyers did.

Kate's final round, as the buyers saw it

Bidder	What it could do with the company	Value to that bidder
Private equity fund	Run the business as it is, grow it and sell it later	$40m
Second North American platform	Could not test the fit in the time available, so valued the business as it stood	$42m
UK compliance software group	Add an Australian product line	$43m
Largest Australian competitor	Merge the two businesses and remove duplicated costs	$46m
Winning North American platform	**Sell the product to its 16,000 contractor customers**	**$90m**

Illustrative. Each figure is the most that bidder could pay after allowing for the cost, risk and time of delivering its plans, and still earn the return it required. These are not the bids made. The winning price was $52m.

Four of the five bidders were looking at roughly the same company. They saw its customers, its earnings and its growth, and in the competitor's case the costs that could be removed by merging two businesses into one. Their numbers clustered in a narrow band. That band is what Kate was paid for. One of those four, oddly, was the second North American platform. We will come back to it.

The fifth bidder was looking at something else. It saw sixteen thousand contractors who did not yet use her software, and a clear way to sell it to them.

The platform did not need to pay $90 million. It needed to beat $46 million. It offered $52 million because it could not be sure what the others would do, and did not want to find out. That extra $6 million was not generosity. It was the price of the winner's uncertainty about its rivals, and extracting it is exactly what a well-run process is for. The rest was headroom. Between the price it paid and the most it could have justified lay $38 million the platform never had to give up, along with the risk that its plan might not work.

This is the distinction at the centre of Kate's story, and it is easy to miss because both kinds of value travel under the same word. Some value can be seen by several buyers: the earnings, the customer base, the cost savings any competitor could find. Call it shared value. Competition prices shared value well. Other value can be seen by only one buyer, because only that buyer has the customers, the distribution or the conviction that makes it real. Call it buyer-specific value. Competition reaches it only at the edges.

Which is why more bidders would not have helped. Ten more funds and five more competitors, each seeing $40 million to $46 million, would have left the price in much the same place.

Now change one fact. Suppose the second North American platform, with a similar base of contractor customers, had seen what the winner saw and valued the company at $80 million. The winner would no longer be bidding against $46 million. It would be bidding against a rival that could justify $80 million. Same company. Same founder. Same year. A price that could have been more than $25 million higher.

And the second platform was in the room. Kate's adviser had found it, called it and kept it in the process to the end. It had the customers. It had the distribution. It had every reason to see what the winner saw. So why did it bid like a buyer looking at a small Australian company?

05 What the Other Platform Could Not See

Kate's adviser asked for feedback after the process closed. The second platform's corporate development team gave it, politely.

They liked the product. They could imagine it inside their platform. But none of their customers used it.

It did not connect to their software, and eleven American customers were not enough to show that a contractor in Ohio would buy what a contractor in Brisbane needed. In the few weeks a sale process allowed, they could not turn that hunch into a forecast their board would approve. So they valued what they could prove: an Australian business as it stood.

The winner had no such problem. A few hundred of Kate's customers had run its software for years, connected to hers through the integration she had built because they asked. Its product team had watched those shared customers long before anyone mentioned a sale. By the time the bids were due, the winner was not imagining what Kate's product could do inside its platform. It had seen it.

Two capable buyers, looking at the same product. One had evidence and the other had a hunch, and few boards will approve a premium for a hunch.

Better evidence would not have guaranteed a better bid. The second platform sold to different contractors, had its own priorities and answered to a board with its own hurdle rate. It might never have seen what the winner saw. But without evidence, nobody found out, least of all Kate.

This is the part of Kate's story that a longer buyer list would not have fixed. Finding a second buyer is one task. Giving that buyer the evidence to believe is another, and the second cannot be done in the weeks between a first approach and a final bid.

Real transactions follow the same pattern. When the Sydney-listed software company Nuix agreed in December 2025 to acquire Linkurious, a Paris-based graph analytics business, Linkurious was already a Nuix technology partner, and the two companies shared some customers. Even so, €5 million of a maximum €20 million price depended on growth in annualised contract value and on cross-sell synergies over the following 24 months. A buyer that had watched the product at close range still chose to pay for part of the opportunity only once it had been proved.

Evidence is what turns a buyer's interest into a buyer's price. Where it is thin, buyers pay for the business as it stands, or ask the seller to wait for the rest through payments that depend on results she no longer controls.

> *Finding a second buyer is one task.*
> *Giving that buyer the evidence to believe is another.*

In Kate's sale, the evidence that mattered most had not come from the buyer's negotiators, or from her adviser. Kate had created it herself, years earlier, in the ordinary course of business, with no idea what it would one day be worth.

Set it beside the decision she had taken most seriously. Kate spent most of a year's profit trying to build a business in America, and won eleven customers. Years before that, she had connected her software to a platform her customers used, because they asked. One was strategy. The other was a support ticket.

When the bids arrived, the support ticket helped justify an offer of fifty-two million dollars. The strategy had produced too little for the second platform to believe.

She had never looked at either decision through the eyes of the companies that might one day buy her business.

06 Making a Second Buyer See It

In my experience advising Australian software companies, the most ambitious valuations have usually come from North American acquirers. Not because they understood the technology better, but because some of them could see a place for the product across customer networks far larger than ours.

That explains why a North American buyer can see more in an Australian company than anyone at home. It does not decide whether the founder is paid for it. That depends on whether more than one of them can see it, and believe it.

This is work that can only be done well before a sale, and it is not the same as compiling a longer list of buyers.

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It begins with an uncomfortable question. Which buyers could create substantially more value from owning my company than I can, and what evidence would they need today to believe it?

If the honest answer is that only one of them has that evidence, a founder can change it, but not quickly. The task is not to find more buyers. It is to find out whether a second buyer could see the same value, and to give it the evidence to try.

> *One buyer who can see the value is an opportunity.*
> *Two are a price.*

The best of this work passes a simple test. It would be worth doing even if the company were never sold. An integration built on open standards, so the product connects to several of the platforms its customers already use, makes the product easier to sell today and lets more than one acquirer see the fit. A pilot in a larger market, priced to pay its own way, produces revenue now and evidence later. Customers who run the product alongside a larger platform's software give that platform something it can watch for itself, years before anyone mentions a sale.

The same test changes the questions a founder asks about ordinary decisions. Which of our integrations already put the product inside a larger company's world? Which customer relationships prove something a bigger acquirer cannot yet do? Is an expensive office in Dallas really the cheapest way to show that Americans will buy? None of these questions guarantees a higher price. Each answer gives a second buyer something to underwrite.

Kate closed the presentation a little after midnight.

What stayed with her was the arithmetic running the other way. Not what the platform had made from her company. What a second, equally convinced platform would have made it pay.

> *Kate did not lack buyers. She had five.*
> *Only one of them could see what her company might become.*
> *It could see it because, years earlier, she had shown it.*
> *She had never shown the other platform.*

THE ACQUIRABILITY ASSESSMENT

Buyers pay for what they can verify. Long before a sale, the useful questions are which buyers could do the most with your company, and what they would need to see to believe it. The free Acquirability Assessment is a short first step: a structured view of how a buyer is likely to read your business today, and where the work should begin.

Begin the free assessment at nexxit.ai

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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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

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

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