Overview of Entrepreneurship Through Acquisition | Search Funds

Entrepreneur

 Typically (recent) MBA graduate or professional/ employee with "entrepreneurial itch" looking to acquire and act as the CEO of an SME⁽¹⁾

The Search

- Varying search parameters across geography (national vs. regional), sector and size (\$500k-\$20mm)
- Typically lasts for 6-24 month and financed one of two ways:

Search Fund

- Raising capital from family/ friends/ HNIs⁽¹⁾/ professional investors to finance search process for up to 24 months
- Capital from outside investors rolled-over (usually at 1.5x multiple) to acquiring entity upon successful transaction

OR

Self-Funded

- Using own capital to finance search period
- Oftentimes involves friends/ family investment



Equity Investor(s)

- If relevant, providing capital to finance search process for ETA
- Acquiring majority stake in target
- Expected exit within 3-6+ years



Due Diligence / Capital Raise

- Due diligence process involving accounting/finance, legal and other relevant specialists
- Raising debt and acquisition equity

Debt Provider(s)

- Oftentimes includes senior lender, including SBA⁽³⁾ loans
- Seller Financing oftentimes available too
- Limited use of hybrid/other forms of debt capital



Closing

 Entrepreneur takes over as "CEO" and likely receives first tranche of equity participation