

A disciplined investment thesis is the spine of any durable acquisition strategy. It clarifies why a target fits, how value will be created, the risks you will accept, and the sequence of moves you will make once you own it. Without it, you wander from teaser to teaser, chasing EBITDA multiples and broker narratives. With it, you filter quickly, negotiate with conviction, and avoid paying for growth that will never show up.

I have watched deals succeed and stumble for reasons that trace back to the quality of the thesis. The good ones are unglamorous, specific, and falsifiable. They survive contact with the messy truth of a real company. They help you say no to 95 percent of opportunities and yes to the handful that fit the plan. If you are Buying a Business for the first time, or leveling up a search, build the habit of writing, testing, and revising a thesis the same way you would a budget or a 100-day plan.

## What a real thesis looks like

Strip away the pitch deck gloss and a working thesis answers five questions in plain language.

- Where do we hunt, and what do we ignore?
- Why do customers pick these companies, and can we preserve that edge?
- What levers will grow cash flow in the first two years, and who will pull them?
- What risks can kill the deal, and how will we detect them before wiring funds?
- Why does this business fit us, not just someone else?

Those questions sound simple. They are not. They force you to connect industry dynamics, company specifics, and your own capabilities. When I worked on a roll-up of specialty maintenance firms, our thesis read like a field manual. We wanted founder-owned companies with recurring contracts in regulated environments, gross margins above 40 percent, regional density potential, and customer relationships driven by response time and safety record. We had zero interest in bid-driven project work or commodity vendors. That clarity kept us from wasting weeks on beautiful businesses that were wrong for us.

## Start with the market, not the spreadsheet

In Business Acquisition Training, people often rush to model scenarios before they understand how the market actually buys. A spreadsheet can make any deal look tidy, but cash flow comes from human behavior: who buys, why they switch, and what makes them stay.

Talk to customers without the seller on the line. Not a survey, a conversation. Ask when they last changed vendors, what almost made them switch, and which promises they ignore because they have heard them a hundred times. You will learn quickly whether the company’s moat is service density, certification complexity, embedded workflow, proprietary data, or simply good relationships. In one HVAC platform we reviewed, the seller credited his “brand,” but ten of twelve customers cited two things: technician consistency and the office manager’s ability to get a human on the phone at 6 a.m. That changed our thesis overnight. We stopped dreaming about a marketing overhaul and focused on technician retention, dispatcher staffing, and scheduling software.

Look for proof that the market lets winners keep winning. Usually that shows up as low churn in core accounts, pricing that sticks in the face of cost inflation, or expansion economics that improve with scale. If the business wins each job in a knife fight on price, or if customers switch every contract cycle with no penalty, your value creation levers will be weaker and slower.

## Narrow the aperture: the discipline of selection

A thesis is as much about what you will not do as what you will. The best investors write down disqualifiers and stick to them under pressure. Multiples creep when you allow exceptions for charisma, brand names, or fear of missing out.

Here is a compact screen I use early when Buying a Business that aims to be operator-owned.

- Recurring or re-consumable revenue above 60 percent, measured by cohorts, not by management’s slide
- Customer concentration under 20 percent for the largest account, or a clear mitigation plan that you control
- EBIT margins at or above 15 percent without capitalizing expenses that obviously should be in the P&L
- Clean working capital cycle with predictable collections and no seasonal trap that requires an annual revolver panic
- A seller who will help bridge operational knowledge for at least six months, or a ready internal successor

You can flex these if the upside is extraordinary and testable. If not, move on. Search is an exercise in conservation of attention.

The Dealmaker's Academy  
42 Lytton Rd  
New Barnet  
Barnet  
EN5 5BY  
United Kingdom

Tel: +44 2030 264483

## **The three engines of value creation**

Value creation in small and mid-market acquisitions rarely requires novelty. Most wins come from getting three basics right and sequencing them so each amplifies the others.

Revenue quality and growth. This starts with retention. Before you chase new logos or new geographies, defend the base. Upgrade account management, shore up service levels, and fix weak SLAs. In one janitorial company we acquired, a 3-point improvement in net revenue retention, driven by faster supervisor response and better supply chain pricing, produced more value than a year of outbound sales. Once retention holds, add lead sources you can measure: professionalized inside sales, channel partnerships, or search advertising with strict unit economics. Avoid “spray and pray” business development hires without a repeatable process.

Margin expansion. Do not swing at every cost line. Pick the two or three with the strongest earnings leverage and least customer risk. Vendor consolidation, route density, pricing backlogs, and labor productivity are reliable candidates. When we integrated three fire protection firms, we used technician geo-fencing to reassign routes and cut windshield time by 18 percent. That moved gross margin 2 to 3 points without touching wages, and customers felt better service, not worse.

Capital discipline. Cash pays for everything. EBITDA does not. Map the working capital cycle by cohort and by product line. If you discover the business’s growth soaks cash for six months before paying back, your thesis needs either more equity or a different growth pace. Equipment capex also hides in operating leases and service swaps. Bring it onto your model as a real cash drag. Investors blow covenants not because revenue misses, but because the cash calendar was a fairy tale.

A credible thesis names the first five to seven operational moves you will make, assigns owners, and sketches the order of operations. It reads like a plan a team can execute, not a wish list. If your first year depends on an unproven cross-sell, a complex software migration, and a plant consolidation at the same time, you are writing fiction.

## **Pricing power is earned in the details**

Most models include a tidy 2 to 3 percent annual price increase. In practice, pricing power depends on perceived value during the moment that price lands in the customer’s inbox. If the service is invisible until it fails, you will need to pair price moves with visible quality signals.



Document and communicate standards customers can feel. On-time percentage by technician, first-time fix rates, field photo documentation, or uptime windows are not vanity metrics if they get shared regularly. A healthcare linen company we advised rolled out monthly service scorecards and pre-announced an inflation-linked adjustment three months ahead of renewal. Churn actually fell during the increase because customers felt control and transparency.

Be wary of one-time price corrections baked into perpetuity. If your thesis requires a 10 percent day-one hike across the base to make the debt schedule work, test it in diligence with shadow invoices and customer calls. You might land it, but the tails can be ugly.

## **People, culture, and the operator's trap**

Every thesis underestimates the effort to retain and re-recruit the team you are buying. Founders prop up cultures with personal heroics that do not show on the org chart. When they step out, the thinness shows.

Before closing, map the real centers of gravity. Who opens the facility when the snow hits? Which dispatcher can calm the angry facilities manager? Which sales rep has customers who will follow them if they leave? Price retention risk into your offer and plan your retention packages accordingly. A \$30,000 annual stipend to the right supervisor can preserve millions of value.

Do not impose your operating system in week one. Your thesis should include a protected period when you absorb, observe, and stack-rank what must change now and what can wait. The temptation to rebrand, roll out a new CRM, and revamp comp plans in the first quarter is strong. Resist it. A “change burst” rarely fits the assimilation bandwidth of a working business. Choose one or two visible, high-trust wins that signal your style: faster payroll issue resolution, tool allowance normalization, or a safety bonus that kicks in at 90 days incident-free.

## **Diligence that proves or kills a thesis**

Confirm the parts of your thesis that matter most to value and risk. Do not waste energy proving things that do not change the price or the plan. Tailor diligence to how the business really runs.

Revenue durability. Pull revenue cohorts by customer start date and service type. If the seller cannot provide it, reconstruct from invoices and bank deposits. Interview ten customers independently. You want their switching history, not compliments. Reconcile any “lost for price” claims with your understanding of service issues.

Unit economics. For service businesses, build gross margin by route or technician. For product firms, break it by SKU, channel, and order size. Find the exceptions that carry the profit. In one e-commerce add-on we evaluated, 60 percent of gross profit came from five SKUs that were consistently out of stock in Q4. The seller had no plan to fix it. That was a thesis killer for a holiday-driven model.

Working capital and seasonality. Chart daily cash balances for a full year if possible. Identify minimum cash needed through the worst month. Test the company's borrowing base math in the credit agreement you expect to sign. A snow removal firm we

reviewed looked amazing on paper, but cash went negative every November until municipalities remitted. Without an expensive revolver or prepayments, the deal would have defaulted its first winter.

Legal, compliance, and key person risk. License requirements in regulated services are not paperwork. If the business's qualifier is the departing owner and you do not have a licensed replacement, you cannot legally operate. Permit backlogs, union agreements, and customer contracts with change-of-control clauses are similarly non-negotiable. They belong at the top of the risk register, not buried.

Technology and data. Do not turn diligence into a vanity systems tour. Focus on data integrity and the few workflows that drive value. Can you extract clean job histories? Are SKUs and pricing consistent across channels? Does the CRM actually reflect pipeline stage or serve as a contact rolodex? A brittle data foundation makes even simple initiatives slow and expensive.

## **The capital stack should reflect the thesis, not the other way around**

Debt is a tool, not a strategy. A tight amortization schedule can force bad decisions, like starving maintenance capex or pushing price hikes at the wrong time. If your thesis calls for operational change before growth, choose a structure that breathes: lower initial leverage, more covenant headroom, or a seller note that aligns incentives. Conversely, if retention is rock solid and growth is plug-and-play, the business can carry more debt safely.

I like to underwrite to a stressed case where EBITDA drops 10 to 15 percent in year one while you fix obvious issues. If the deal collapses under that weight, it is not resilient enough. That standard might lose you a few pretty targets, but it keeps you in control of your fate when the first surprise hits.

Be realistic about equity reserves. An extra 5 to 10 percent of the purchase price held in true growth and contingency equity, not imagined "savings," buys you time to be right. It keeps you from negotiating with vendors or lenders from a place of panic.

## **Integration light, then integration heavy**

The first 100 days after closing are the crucible where a thesis lives or dies. Set three priorities that link directly to your value levers, then create weekly operating rhythms to track them. Fancy dashboards are less important than crisp cadences: a standing service quality review, a margin huddle, and a cash call that actually decides something.

Sequencing matters. Standardize data definitions and basic reporting before you connect systems. Pilot any pricing change with a narrow segment to observe behavior. Roll changes in waves and treat each as an experiment with a defined success metric and a rollback plan.

We learned this the hard way when merging two regional [buying a business in the UK](#) logistics firms. Our initial plan called for a network optimization within 60 days. We delayed after discovering that delivery time stamps were inconsistent between systems by as much as 20 minutes. We spent four weeks fixing the clock problem across handhelds and dispatch. The delay felt painful. It saved us from routing errors that would have cratered service levels.

## **Edge cases that change the calculus**

Not every deal fits the standard playbook. A few patterns need their own lens.

Customer concentration by design. Some industrial distributors and defense contractors live with heavy concentration because the switching costs are huge. If your thesis hinges on that stickiness, diligence must go deep on contract renewal mechanics, procurement culture at the customer, and who controls the spec. You might accept 40 percent concentration if the customer's workflow cannot function without your SKU and you have embedded technicians in their plant. You should not accept it because "they've been with us for years."

Turnarounds vs. steady compounds. A broken business can look cheap, but turnarounds are execution taxes masquerading as bargains. If gross margins have collapsed due to labor quality, if NPS is underwater, if the systems are unusable, your thesis must assume a longer, cash-hungrier slog. Ask yourself if you have the team, patience, and capital to run that race. Many first-time buyers are better served paying up for quiet competence.

founder retention and earn-outs. When value depends on the founder's relationships or magic, an earn-out can bridge the gap, but only if the metrics are directly tied to behavior they control and that you actually want. Be careful crafting terms that incentivize bad conduct, like stuffing the pipeline to hit revenue targets while destroying margin or service.

## **When to walk away, even if you can “make it work”**

A good thesis helps you say no sooner. I have walked from deals after late-stage discoveries that technically had fixes, but would have poisoned the first year. A few red flags deserve fast exits.

- Core economics depend on one exception: a sweetheart supplier term, a single spec lock, or a non-compete that is about to expire
- The seller's financials show recurring “one-time” add-backs that recur every year, especially owner labor, warranty, or marketing
- Customer interviews contradict the seller's story on why they buy and stay
- Data access is obstructed or manipulated, even slightly
- The deal only pencils with aggressive leverage or hockey-stick synergies

Your reputation with brokers and sellers improves when you walk early and explain why, rather than grind to the altar and collapse.

## **The operator's notebook: simple habits that compound**

In the noise of a transaction, small habits determine whether the thesis survives past closing. The best operators I know keep a running log of assumptions they made and how reality differs. They schedule a 30-day, 60-day, and 90-day thesis check where they ask three questions: Which assumptions are holding? Which broke? What do we change?

They also build a small set of leading indicators that predict cash and customer health. In a B2B services company, that might be technician turnover in the first 90 days, first-time fix rate, and invoice cycle time. If those trend right, the lagging measures like EBITDA and net cash follow. If they trend wrong, you can intervene before the quarter ends.

Finally, they take the time to rehearse bad days. What if your biggest customer threatens to leave next week? Who calls them? What do you offer? Which crews can you redeploy to hold service levels while you renegotiate? You cannot script chaos, but you can choose your first moves.

## **Training your team to think in theses**

If you run a search fund or a corporate development group, make the thesis a shared language, not a private memo. Teach junior team members to write one-page theses on every live deal covering market, moat, levers, risks, and fit. Review them weekly. Celebrate sharp “nos” that save time. When a deal moves forward, convert the thesis into an early 100-day plan with owners and milestones.

Bring operators into diligence early, and let their reality infect the model. A dispatcher or plant manager can spot a fatal workflow mismatch in minutes. That is not an insult to bankers or analysts. It is respect for the ground truth.

## **A brief case sketch: what good looked like**

We bought a niche compliance services firm with \$11 million revenue, \$2.3 million EBITDA, and a customer base of regional healthcare systems. The thesis hinged on three beliefs. First, compliance complexity and hospital staff turnover made our audits sticky. Second, regional density would cut travel time and increase technician utilization. Third, pricing lagged inflation, and a structured increase tied to documented service levels would hold.

In diligence, customer interviews confirmed low appetite to switch vendors, but only if our lead auditors stayed. We priced retention packages for six key team members. Cohort analysis showed 95 percent revenue retention over three years, with expansion as hospitals added buildings. Technician travel time averaged 28 percent of hours, far too high. Our 100-day plan centered on route planning, hiring two floaters to smooth schedules, and investing in a simple scheduling tool. We pre-announced a 4 percent price increase, bundled with a monthly quality report card and a hotline for nurse managers.

Results were not heroic. They were steady. In year one, net revenue retention ticked to 98 percent, gross margin improved 2.5 points from better routing and vendor consolidation, and cash conversion accelerated by eight days as we fixed invoicing gaps. EBITDA grew to \$3 million without stretching. The thesis did not promise miracles, and the business did not require them.

**Closing thought: be specific, be humble, be ready to revise**

A winning investment thesis is specific enough to act, humble enough to test, and practical enough for real operators to use on Monday morning. It is not a straitjacket. Markets shift, data surprises, people leave. You will revise. The point is not to predict perfectly. It is to choose your playing field wisely, stack the odds in your favor, and move with intention when you find the right company.

When you treat the thesis as a living document, you build a culture that values clarity over charisma. That culture says no often, yes rarely, and operates with care when it does. In an industry where luck always plays a part, that is the closest thing to an edge.