Southport Ventures Q1 2021 Newsletter

You're reading the inaugural Southport Ventures quarterly update. We are incredibly grateful to each of you for responding to our messages, taking our calls, and sharing your advice over the last few months. As a quick reminder, Southport Ventures consists of two partners, Nicholas and Trevor, conducting a self-funded search to acquire a software business. The latest version of our search thesis is attached for anyone who'd like a refresher.

Highlights

1. We both fully transitioned out of our former jobs as of April 1st. Over the last year, we researched industries, refined our thesis, and built our outreach process. That ramp-up time gave us more cycles to identify sourcing channels and build systems that will allow us to hit the ground running.
2. We developed a robust system for sourcing proprietary deals and set our goals for 2021 (see below). We just started a unique approach of partnering with an investor, building a landing page that highlights their expertise in a specific industry, and doing targeted outreach within that industry. See this example of our GovTech landing page. We are testing if sending that landing page to owners in a hand-crafted email increases our response rate.
3. From discussing with owners how they perceive us versus other buyers, we believe that being able to talk about product and tech gives us some unique credibility. We will update our outreach messaging, website, and talking points on owner calls to lean into this.

Asks

1. If you want to discuss doing a similar "industry expert" outreach partnership with us like the GovTech one above, email nicholas@southportventures.com.
2. We plan to identify some focus industries in Q2. You can help by taking our one-question survey where you pick the top 3 industries of interest to you out of a list of 20 (or add your own in the "other" option). Then, we can reach out to you with an early preview of deals we're moving forward with that align with your interests. Take the survey here.

In-depth Update

In Q4 2020 and Q1 2021, we focused on building and improving our sourcing and outreach systems. Trevor built and refined our web scraping software to increase our efficiency in working through our two main proprietary sources – an API database and a software reviews database. The API database has about 26,000 APIs. The software reviews database has over 35,000 product listings. We recently brought on an intern to help us with sourcing, which 4x'ed our weekly pace of screening APIs. We will continue to invest in these systems in order to scale up sourcing as we believe this gives us a competitive edge in our search. We also developed a

backlog of data sources to scrape, and we will continue hunting for new, creative ways to source businesses. Lastly, we refined our semi-automated email outreach sequences for contacting owners and defined our outbound and inbound sourcing goals for 2021.

Outbound Sourcing Progress and Goals

If we'd been full-time starting in January, we would be more concerned that the Progress to Goal column on the far right isn't showing close to 25% for all the metrics. Given we're just ramping up, the right-hand column reflects more of a jumpstart on our 2021 goals. We'll be watching the Owner Calls outcome metric closely this quarter to ensure that our work to create a large funnel translates into deal potential.

Outbound Sourcing Goals	Q1	2021 Goal	Progress to Goal
APIs Screened	1,512	12,000	12.6%
SaaS Screened	315	5,000	6.3%
Businesses fitting our criteria	485	3,500	13.9%
Contacted	56	3,500	1.6%
Responses	44	788	5.6%
Owner Calls	0	88	0.0%

Inbound Sourcing Progress and Goals

Our ideal target is an API-based, SaaS business with a proprietary data source, but we want to cast a wide net in the beginning to learn about a variety of opportunities. Therefore, we are keeping an eye on listing sites, building relationships with SaaS brokers, making our search criteria well-known within our personal networks, and participating in bootstrapped founder communities. The bootstrapper communities are particularly interesting as they expose us to up-and-coming vertical market software businesses. Over the last 18 months, we received several warm intros through our personal networks and these communities. We believe these relationships and channels are worth investing in because conversations that don't materialize into deals in the moment are more likely to boomerang back to us. For instance, an opportunity we first heard about over Thanksgiving dinner in 2019 recently resurfaced. You may hear from us soon if we get this opportunity to the LOI stage.

Inbound Sourcing Goals	Q1	2021 Goal	Progress to Goal
Businesses Screened	50	900	5.6%
CIMs Reviewed	35	180	19.4%
Owner Calls	6	45	13.3%

Developing a Culture of Continuous Learning

When defining our values and culture, a recurring theme kept coming up. We want to build a learning organization that constantly forms hypotheses and experiments to improve operations and drive growth. To build this habit, we set aside weekly time to reflect on things learned, form new hypotheses, and queue up new experiments. We recently added this to our document of things learned: when asking owners how they perceive us vs. other buyers, several expressed that being able to "talk shop" on product and tech gave them more trust in us and more confidence that a transition would be smoother. We had one call where the first question an owner asked us was whether their tech stack would be an issue for us. A quick "that's no problem" answer from us led to the owner expressing relief because they had low confidence the others they'd talked to would be able to handle it well. We plan to lean into this by updating our messaging across all channels.

Thanks,
Nicholas & Trevor