

Southport Ventures Q3 2021 Newsletter

Here's your quarterly update from Nicholas and Trevor on how our search to acquire a software business is going. The latest version of our search thesis is attached for anyone who'd like a refresher.

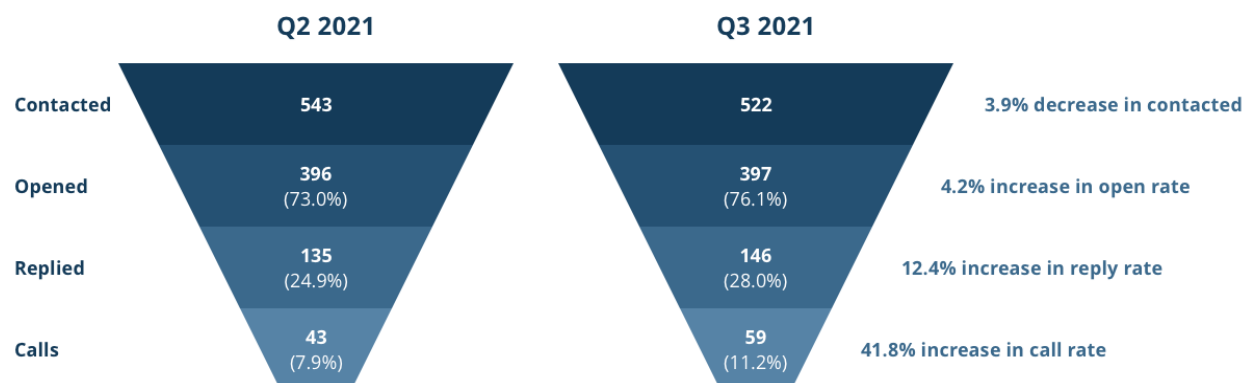
Highlights

1. We sent two IOIs in Q3 to discuss price and terms more seriously with the owners. While we were close on price and terms on the first one, we ended up passing after developing a deeper understanding of the business and the market. The second IOI was submitted recently and we are waiting to hear back on it.
2. We kept our outbound sourcing pace up even though we spent a significant amount of time in diligence on two businesses.
3. We saw increases in our open, reply, and owner call conversion rates. We're learning what works and getting better at proprietary sourcing. We're very happy with the increase in owner call rate from 7.9% to 11.2%. See the funnel diagram below for more details.
4. [SiteAlert.io](#) revenue is up 29.6% since we acquired it in early April.

Asks

1. We have developed a thesis around IoT (Internet of Things) data and analytics platforms. We are seeking advisors with experience in this market. If you have connections, we would appreciate an introduction.
2. If you know anyone who needs customer software, business process automation, integrations, or APIs built, send them to <https://stg.software/coffee/>. We'll send them coffee and do an initial technology review, free of charge.

Outbound Sourcing Update



1. Due to improvements in our web scraping & screening scripts, we'll easily exceed our goals for APIs and SaaS businesses screened by the end of the year.
2. However, increasing volume at the top of the funnel hasn't necessarily increased our volume of contacted businesses. We're still hand-reviewing businesses that meet our initial criteria. We end up filtering many out and we still have a sizable number to review. There's more room for process improvement here.
3. We've already exceeded our owner call goal for 2021 as we're at 116% of it. This is the key bottom-of-the-funnel metric and good yield here makes us not concerned with being behind on our total contacted goal.
4. We anticipate Q4 to be slower on total outreach and owner calls due to the holiday season. We're hoping to contact 400 owners and get on calls with 45+ of them.
5. We've decided not to scale up our outreach volume. We'll continue to balance outreach with our product consulting and software development work. [STG](#) is going quite well and we're hiring a full-time developer to help scale up the amount of work we can do. STG allows us to be patient and wait for the pitch that's right in our sweet spot when it comes to making an acquisition.

Outbound Sourcing	Q1	Q2	Q3	2021 Total	2021 Goal	Progress to 2021 Goal
APIs Screened	1,512	5,403	4,206	11,121	12,000	92.7%
SaaS Screened	1,574	2,756	11,309	15,639	5,000	312.8%
Passed initial criteria screen	485	1,154	1,235	2,874	3,500	146.8%
Contacted	56	534	522	1,112	3,500	31.8%
Responses	44	135	146	325	788	41.3%
Owner Calls	0	43	59	102	88	116.6%

Inbound Sourcing Update

1. We spent a significant amount of time getting to know a business that was referred to us from our personal network. This helped us refine our approach to diligence and making offers.
2. We're not going to meet our inbound sourcing goals for 2021 due to decreasing how many broker-facilitated deals we look at and schedule calls with. That is intentional. We're happy with our proprietary deal flow and feel less of a need to invest effort in brokered deals at this time.
3. We joined several bootstrapper communities and mastermind groups, which is leading to a small increase in the amount of inbound deal flow. We prefer this type of inbound to brokered deals.

Inbound Sourcing	Q1	Q2	Q3	2021 Total	2021 Goal	Progress to 2021 Goal
Businesses Screened	50	346	311	707	900	78.6%
CIMs Reviewed	35	68	27	130	180	72.2%
Owner Calls	6	14	7	27	45	60.0%

Things Learned & Process Improvements

1. The two IOI submissions were great learning experiences. Based on those, we've tweaked our process to get to ballpark price & terms conversations with owners sooner in the process.
2. Now that we have much better data on the volume of businesses we can source in a given time period and the funnel conversion rates, we can set more accurate quarterly goals for 2022.

One fun small-world anecdote: we reached out to a company and discovered we were already personally invested in it from being LPs in the bootstrapper-focused Calm Company Fund (formerly Earnest Capital).

Nicholas & Trevor