Southport Ventures Q2 2021 Newsletter

Here's your quarterly update from Nicholas and Trevor on how the Southport Ventures search is going. As a reminder, we're two partners doing 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 bought a small SaaS business (SiteAlert.io) for just under 1x ARR in April.
    a. This was a unique situation – good price, solid code, low-touch customer service, minimal effort being put into it by the owner yet it grew 50% organically over the previous year.
    b. We bought it because it was good practice for going through the transaction process, it gives us a low-risk playground to run pricing/growth experiments, and we only need to spend a few hours per week on it.
    c. We increased pricing and redesigned the site in Q2. Revenue is up 17% since the purchase in April.
2. We spun up our product & software development firm (Southport Technology Group) and had a great quarter in terms of projects sold. This allows us to fund our search with pre-tax dollars and enables us to be patient on the acquisition side. We'll also use this as a way to do projects that get us an inside look at a business. More on that below.
3. Total owners contacted is below where we want it to be. However, we're hitting our owner call goals, our outreach pace accelerated each month, and we're very happy with the open, reply, and owner call rates:
    a. Contacted: 534
    b. Opens: 390 (73%)
    c. Replies: 135 (25%)
    d. Owner Calls: 43 (8%)

Ask

1. We'd love to kick off an outreach campaign featuring you as an expert advisor. If you'd like to do one of these, please respond to this email.
    a. We've now launched three: GovTech, PropTech, and PetTech
    b. We make these very low effort for you by handling all the sourcing, outreach, and initial calls. Then, we bring you for advice if a deal gets more traction.

Personal Updates

1. Trevor and Diane are adopting three kids! Trevor and Diane spent time in San Antonio with the kids in April and May and have now come home with them.
2. Nicholas and Hilary fixed up their home in Chicago and sold it. They're moving to Minneapolis this summer with their two daughters to be closer to family.

Outbound Sourcing Update

1. The top of the funnel is robust and outbound sourcing has ramped up significantly.
   a. We're slightly ahead on the number of APIs we've screened and well ahead of where we thought we'd be on the number of SaaS businesses screened (87% of the way to the goal at 50% of the way through the year). This is a testament to the internal tech we've built to make that process efficient.
2. Our yield from screening a business to finding good contact info is lower than expected.
   a. We projected 21% of businesses screened would fit our criteria, but it's closer to 14% so far.
   b. We need to improve our automations for finding contact info and get more efficient at the ones that require manual review. We will invest in these areas in Q3.
3. We're seeing higher response and owner call rates than anticipated.
   a. We projected 11% of contacted owners would get on the phone with us, but we hit 31% in Q2.
4. Thankfully, our higher-than-expected response and owner call rates have made up for the lower total contacted volume.
5. We thought most of the metrics would be near to 50% in the far right column since we're 50% of the way through the year. We are well past that for total businesses screened, well below that for total contacted and responses, but right at our goal for owner calls.
6. We set our 2021 goals based on a few initial outreach campaigns. We'll revise the goals this quarter now that we have more data on our funnel conversion rates.

Outbound Sourcing	Q1	Q2	2021 Goal	Progress to 2021 Goal
APIs Screened	1,512	5,403	12,000	58%
SaaS Screened	1,574	2,756	5,000	87%
Businesses fitting our criteria	485	1154	3,500	47%
Contacted	56	534	3,500	17%
Responses	44	135	788	23%
Owner Calls	0	43	88	49%

Inbound Sourcing Update

1. We submitted one offer in May and that was a good learning experience.
2. Included in these numbers are also our warm referrals. Some old friends and connections have introduced us to business owners. Please get in touch if you know anyone looking to sell their software business.

Inbound Sourcing	Q1	Q2	2021 Goal	Progress to 2021 Goal
Businesses Screened	50	346	900	44%
CIMs Reviewed	35	68	180	57%
Owner Calls	6	14	45	44%

Things Learned & Process Improvements

1. We've made weekly improvements to our proprietary web scraping, our contact sourcing, and our outreach process. We'll continue making these improvements and are considering moving some of our internal tech to the cloud in Q3 to make it easier for others to use.
2. We've experimented with new subject lines and different sequencing of follow-ups. That has led to higher open rates.
3. We've experimented with including a link to book a call in outreach emails. That has significantly increased the number of calls booked and saves us time.
4. Our backgrounds in software resonate with many owners. From what they tell us, we know it makes them more willing to get on calls with us.

New Strategy: Using Southport Technology Group to get an inside look at businesses

1. We've pitched some owners on doing a consulting project with them through Southport Technology Group so they can get to know us better and we can get an inside look at their business.
2. We have a particular edge given our knowledge and proprietary tech built around Xero, Quickbase, Paya, OneSpan, and PDF-Lib.
3. We believe this is a highly differentiated search strategy that will enable us to build much greater trust with an owner and greatly de-risk a transaction.

Nicholas & Trevor