



PERMANENT
EQUITY

Goodbye Goodbye Boring Businesses. We Invest in Companies That Care What Happens Next

I think we invented the term “boring business”... by accident. Let me explain how that term came to be and why we’ve decided to retire it at Permanent Equity.

Back in 2014, Emily Holdman and I were trying to figure out how to directly market to small businesses that might potentially be looking to sell. At that time, the idea of SMB acquisitions was still fairly unrecognized and we kept getting lumped in with venture capital. Every time we’d make a marketing push, we got a handful of qualified leads and a ton of startups looking for funding.

So we thought to ourselves, “What’s a term that could get the right peoples’ attention and help them self-select into our lead funnel?” We experimented with quite a few sayings, like “unsexy companies” and “family-owned businesses,” and eventually “boring businesses.” To our surprise, the response rate using the term “boring business” was nearly 2X everything else. In fact, if you just added the word “boring” before you said business to pretty much any copy, it would 3X the response.

So, we went for it and started using the term in almost everything we said or wrote. In September of 2015, I wrote a well-received article for Forbes with the phrase in the title. In fact, it did so well that before long, others were writing about these “boring businesses” and the opportunity to acquire them.

ENTREPRENEURS

Why We Love To Buy Boring Businesses

Brent Beshore Contributor 

I provide a Midwest view on entrepreneurship, VC, and private equity.

Follow

Sep 17, 2015, 06:00am EDT

Fast forward to today and the term is frequently and casually thrown around in the SMB space. Every week on Twitter I'm seeing a new person talk about buying boring businesses. In fact, some people are now even selling how-to courses with that exact phrase in the title.

Over the same period of time that boring business became a popular term, we started partnering with businesses that no one would call boring. In fact, during our initial conversations with those companies, and quite a few others, they asked about investment and culture fit based on our use of the boring business terminology. It has become clear that, at least for us, the term "boring business" no longer accurately describes what we value or what we do.

Private equity has a cringey reputation for what happens post-close, and unfortunately for good reason. Too often jargon obscures an obvious reality that a previously family-owned business will be levered to the moon, stripped of reinvestment, and flipped to the highest bidder within a short period of time. Management is often ousted and long-term strategies are sacrificed for short-term efficiency. The business that was built over decades to not only deliver profits, but also employ communities with good-paying jobs and be in partnership with vendors and customers is suddenly run from a spreadsheet at a coastal headquarters.

And for some sellers, this isn't a problem. Topst of dollars was paid and that's what matters. Or as one seller told us, "Money isn't the most important criteria unless you're not the highest bidder." They see the slash-burn-and-turn mentality



as a necessary evil. And, they're not wrong. If someone is paying more, there can only be two logical reasons – they're either willing to accept lower returns, or they're planning to use more debt and more aggressively operate the company in hopes that they can make up for it. And, I don't know anyone who is openly accepting lower returns.

But most owners care what happens next. And, so does Permanent Equity. When we invest, the answer to what happens next isn't complicated or scary. It's to continue on the prosperous path already in motion. It's to do no harm. It's to partner with the leadership team that is in place, or if the seller is the leader and wants to retire, then work collaboratively to recruit or promote. While not perfect by any means, we try to offer a kind, supportive, and hopefully thoughtful set of resources to help our family of companies flourish.

So, Permanent Equity invests in "companies that care what happens next." Every owner we buy from cares deeply who they sell to, what comes next for the company, and how employees will be treated. Those softer transaction details and the people who express them, are as important, if not more so, than the financial details. That's the common linkage across our portfolio and who we want to partner with. We also want to approach each organization with care, humbly learning from them before making any suggested changes, supporting them in life's inevitable ups and downs, and building meaningful relationships over long periods of time.

So long boring businesses. It was a great run.

We look forward to working with companies that care what happens next.

