

Reading a Business Before Anyone Tells You What It's Worth

How looking at 15 businesses taught me to spot the two worth chasing — and how the first deal taught me everything I needed for the second.

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FELLOWSHIP METRICS

80+	10+	~24	15
DEALS SOURCED	RESPONSES BACK	NDAS SIGNED	P&LS RECEIVED
3	2	2	1
OWNER CALLS	INDUSTRIES ANALYZED	LOIs	DEAL PURSUED

WHAT'S INSIDE

Short version: the process, the one skill I got really good at, both deals, the seller-trust lesson, and the tricks I picked up along the way.

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PART 1

The Process

How I went from a long list of listings to one pursued deal.

Here's the honest version of how this fellowship went. I didn't start with two good deals. I started with a spreadsheet and a lot of cold outreach, and most of it went nowhere. The two deals in this capstone — Renew Health and Creepers Socks — are what was left after a lot of filtering.

The funnel, start to finish

Stage	What happened
Sourced & contacted	80+ businesses across healthcare and wellness, 100+ owners and brokers emailed, called, and messaged
Signed NDAs	Around 30% of the deals I reached out to — enough to actually get financials
Read the P&Ls	15 businesses where I sat down with real financials and worked through the numbers, not just the listing
Full diligence	2 finalists — Renew Health and Creepers Socks — taken all the way to analysis, seller calls, and an LOI
Chose to pursue	1 deal — Creepers Socks — currently under a proposed Letter of Intent

How the weeks went

Weeks	Focus	What changed for me
2–4	Sourcing + first scoring	Started using a scoring system instead of adding every deal that looked okay. Learned healthcare brokers gatekeep hard, some wouldn't even send an NDA unless the buyer was a licensed doctor.
6	Two finalists, going deep	Renew and Creepers both cleared review. First real seller/broker call. Started thinking about the LOI as structure, not just a price.
7	Financial diligence + decision	Spent most of my time cleaning up Renew's earnings and questioning add-backs, ran a seller call for Creepers, and built out both offers.

Everything I say I "learned" in this document, I learned by reading 15 sets of P&Ls back to back. You start seeing the same tricks, the same red flags, and the same seller lines over and over. That repetition is the whole point, it's what turned guessing into a process.

What the 15 P&Ls actually taught me

- Most businesses look better in the listing than they do in the financials. **The gap between the two is where the real information is.**
- You can spot a weak deal fast once you've seen enough of them: usually it's low cash flow hiding behind big revenue, or a seller's number that only works if you believe every add-back.
- The good deals aren't the ones with the biggest numbers. They're the ones where the numbers **still make sense after you take the current owner out of the picture.**

PART 2

My One Skill

Sizing up a business in the first hour — before I open a single spreadsheet.

The skill was not deciding whether to buy a company on day one. It was deciding, fast, whether the deal deserved real diligence. I now read every opportunity through four questions. If one breaks, I usually do not need the other three.

INSIGHT 01

The first hour is a filter, not a verdict. I am testing whether the business earns more time, not proving the whole deal works.

INSIGHT 02

Seller numbers are a claim. Revenue and SDE are starting points; the real number is buyer cash flow after close.

The four-question filter

01**Is there real demand?**

I am not asking if the market is big. I am asking whether there is a specific customer, a specific pain point, and a reason this business wins.

WHAT I TEST

Customer need • purchase frequency • repeat behavior • niche advantage

HIGHLIGHT

Repeat buyers, memberships, upsells, or a trusted niche make the deal more durable.

02**Are the financials attractive AND believable?**

Revenue by itself tells me almost nothing. I care about margins, add-back quality, and the multiple I am paying on the cash flow I actually believe is real.

WHAT I TEST

Seller SDE • normalized EBITDA • buyer replacement costs • cash flow sensitivity

HIGHLIGHT

Never take seller SDE at face value. The question is what cash flow survives after close.

03**Is the growth realistic, or just a nice story?**

Every seller says there is upside. I only count growth when the channel, cost, timing, and constraint are clear enough to diligence.

WHAT I TEST

Working channel • unused capacity • cost to scale • named bottleneck

HIGHLIGHT

No bottleneck, no real plan. The bottleneck is usually the whole story.

04**What breaks after the owner leaves?**

A good business is not automatically a good acquisition. I need to know what the owner is quietly holding together before I believe the handoff.

WHAT I TEST

Owner dependence • key supplier/channel/client risk • reason for sale

HIGHLIGHT

The acquisition only works if demand, cash flow, and growth survive the handoff.

The first-hour scorecard

Question	Green light	Red flag
Demand	Specific pain + repeatable reason to win	Big market, weak customer proof
Cash flow	Earnings still work after normalizing add-backs	Valuation only works on seller SDE
Growth / handoff	Upside has a bottleneck I can solve; owner risk is replaceable	Growth is vague, or the owner is the engine

THE RULE I CHECK EVERY DEAL AGAINST

A good acquisition is a business where demand, cash flow, growth, and risk still make sense after the current owner leaves.

That one sentence became the framework. The four questions just get me there faster.

PART 3**Deal One: Renew Health**

A cash-pay wellness clinic near Denver. Not the deal I'm chasing — but the one where I actually learned how to do this.

What it is

- Cash-pay wellness clinic in the Denver metro: red light therapy, SoftWave regenerative therapy, and neuropathy care.
- Core patients are 50+, paying for bundled 8–12 week programs (roughly \$3,000 for SoftWave/red light, up to \$12,400 for neuropathy) — not cheap one-off visits.
- Founded February 2024, so it's young. Fast growth, but not a lot of history yet.

The financials (and where they got interesting)

Metric	Value	My read
Revenue	\$550K (2024) → \$960K (2025), \$1.06M TTM	Real growth, +75% in a year
Net income	\$86.7K → \$279.8K, \$325.2K TTM	Genuinely profitable
Seller SDE (2025)	~\$572.5K	Includes ~\$291K of add-backs — this is the catch
Asking price	\$1.95M	About 2.83x the seller's 2026 SDE — looks cheap at first

The whole deal hinged on those add-backs. So instead of **accepting one SDE number**, I built **four** versions of the cash flow and looked at what the price really was under each one:

If the real cash flow is...	Then \$1.95M is really...
Seller's SDE (~\$572K)	~3.4x — looks cheap
Conservative owner-operator (~\$475–500K)	~3.9–4.1x
Semi-absentee, after hiring to replace the owner (~\$350–400K)	~4.9–5.6x
Just trust net income (~\$325K)	~6.0x — not cheap at all

Same price. Anywhere from 3.4x to 6.0x depending on which add-backs hold up. That's the lesson in one table — the seller's number wasn't wrong, it just wasn't the whole story.

How I built the offer

I wrote the repricing math into the LOI. If a CPA's add-back review comes back lower than the seller's number, the price adjusts at the same 2.83x multiple automatically. That way, if the add-backs don't hold up, I don't have to fight a fresh negotiation. The formula was already agreed.

PART 4

The Handoff

Renew and Creepers are in totally different industries. Almost everything I learned on the first one still worked on the second.

This is the part I think matters most. A wellness clinic and a sock brand have nothing in common on the surface: different customers, different money, different everything. But when I got to Creepers, I realized the actual skills **carried straight over**. The industry changed. **What I was doing didn't.**

What I learned on Renew	How I used it on Creepers (different industry, same skill)
Never trust the seller's SDE	Renew had \$291K of shaky add-backs, so I checked Creepers' too. Its SDE was clean (only ~\$39K added back) — but the trap was different: the \$4.55M price left out ~\$400K of inventory. Same instinct, new hiding spot.
Price is fixed, but structure isn't	Renew's seller wouldn't move off price, so I learned to win through seller notes and earnouts. On Creepers I did the same: offered \$3.8M against a \$4.55M ask and closed the gap with structure, not a lowball.
Write the repricing formula into the LOI	I used the exact same move: price = verified SDE × an agreed multiple. 2.83x on Renew, 3.68x on Creepers. Turns a scary renegotiation into simple math both sides already signed off on.
Read the seller, not just the numbers	Renew's owner was legacy-minded and family-motivated. Creepers' founder was protective of a brand he built from his own blister problem. Both would've walked from a pure numbers pitch, so I led with the business, not the spreadsheet.
Find the one bottleneck behind the growth	On Renew it was capacity and compliance. On Creepers it was inventory lead times. Same habit: don't believe a growth story until you can name what's blocking it.
A seller call goes both ways	Renew's broker was testing whether I was serious and funded. So when the Creepers founder asked about MW's Shopify and apparel experience, I wasn't caught off guard, I already knew I was being diligenced too.

The industry changes the risk category, not the discipline. Healthcare risk is regulatory and relationship-based. Ecommerce risk is inventory and platforms. But the test underneath — what breaks when the owner leaves — never changes. That's the proof the framework actually works: I built it on a clinic and it held up on a sock brand.

— the single biggest takeaway of the whole fellowship

PART 5

Trust Before Terms

Sometimes a deal moves forward because the seller believes you are the right buyer — not because your price is perfect.

INSIGHT 01

A strong offer is not enough. You can analyze the business, run diligence, draft a smart LOI, and still lose if the seller does not trust the buyer behind it.

INSIGHT 02

The first call is seller diligence too. One question changes the whole approach: *what does this seller care about most: price, certainty, or legacy?*

The learning path: Renew → Creepers

#	Stage	What I read	How I changed the approach
01	Renew read	The seller seemed highly price-focused and firm on the \$1.95M ask.	I stopped trying to win through headline price and built protection into structure: full price, but with multiple-based repricing if add-backs did not hold.
02	Trust test	The seller and broker were also deciding whether they trusted our experience with the business.	I learned that “why us” matters as much as “what price,” especially when the owner is handing over something personal.
03	Before Creepers	I wanted the seller to know MergeWorks before the call, not meet us cold.	I gave more context by email: our model, deal types, operating philosophy, and how we think about buying businesses responsibly.
04	My role on the call	Taking the first call alone could create doubt if I did not frame my role clearly.	I opened by explaining my role, responsibilities, and why I was leading the process: I was the person who knew the Creepers materials best.
05	Credibility gap	MergeWorks did not have a direct prior e-commerce acquisition to point to.	Instead of ignoring that, I built credibility around the exact work the deal would require: market research, business-specific knowledge, and transferable operating experience.

The 3 credibility moves for proving you are the right buyer

#	Move	How I used it	Why it mattered
01	Research the industry first	I did enough ecommerce and outdoor-apparel research to discuss trends, fast-growing markets, channel opportunities, and where Creepers still had room to grow.	It showed the seller we were not treating the company like a generic online store. We understood the niche and could see why the brand mattered.
02	Know their business in detail	I came into the call ready to speak in their numbers: revenue growth, drop performance, email/SMS, Amazon, repeat buyers, inventory lead times, and the specific bottlenecks behind growth.	Specificity builds trust. It makes the seller feel that you have already done the work and are not asking basic questions just to sound interested.

03	Translate transferable expertise	Because MW did not have a direct ecommerce acquisition to point to, I connected our experience in other businesses to the same operating processes: marketing, vendor management, customer service, systems, and post-close execution.	It answered the real concern behind “do you have ecommerce experience?” The message was: we may not own this exact category yet, but we understand the work required to operate it.
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HOW TO “CLOSE” WITHOUT CLOSING

Show the seller you are genuinely excited about what they built. When they explain a process, appreciate it, then pair that appreciation with specific proof that you know the business and the industry. Founder-sellers notice when respect is real.

PART 6**Deal Two: Creepers Socks**

The one I'm actually chasing. A premium DTC brand with real momentum — and one very specific bottleneck.

What it is

- Premium merino toe socks for trail runners, hikers, and outdoor people. The founder, a physio and trail runner, built it to fix his own blister problem.
- Launched in New Zealand (2021), entered the US (2023), added Australia (2023), moved Amazon to FBA (early 2024). The US is now the biggest and fastest-growing market.

\$3.36M
TTM REVENUE

31%
SDE MARGIN

34%
REPEAT BUYERS

\$3.8M
MY OFFER

The growth is real, not a story

Year	Revenue	Gross Profit	SDE
2023	\$535K	\$446K	\$157K
2024	\$1.54M	\$1.19M	\$535K
2025	\$2.95M	\$2.23M	\$942K
TTM	\$3.36M	\$2.52M	\$1.03M

Revenue basically doubled every year for three years, and margins stayed strong (75%+ gross) even while adding Amazon fees and shipping across countries. The most recent year is the best one, so this isn't a business being sold on old numbers.

The best part: the drop model

- Limited-edition "drops" are the engine. In the last year, 7 launches made \$895K in only 24 launch-window days, which is about 6x the normal daily revenue, at ~47% margin vs. ~34% the rest of the time.
- Email and SMS drove ~78% of that launch revenue. That owned list is basically the closest thing this business has to recurring revenue.
- When they switched from single-color to full-collection drops, average order value went from ~\$42.50 to ~\$51, and revenue per drop nearly doubled. That's a repeatable machine, not luck.

Inventory: the automation edge that makes MW the right buyer

Why this matters: Shaun said Creepers already lost revenue when inventory ran short. That means Shopify forecasting can understate real demand because it only captures what sold, not what would have sold if the right sizes, colors, and drops were in stock.

THE BOTTLENECK 16-week lead times and imperfect inventory depth create high-margin revenue leakage: demand exists, but product availability caps sales.		MW AUTOMATION LEVER Build a forecasting system that links SKU/size velocity, drop calendars, stockout signals, purchase orders, cash needs, and supplier timing.		WHY IT MAKES MW A FIT This is partnership logic inside an acquisition: MW brings the missing operating system, then captures the upside by owning the business.	
01 SIGNAL		02 FORECAST		03 PLAN	
Lost sales + Shopify orders		Automated demand model		PO timing + cash calendar	
				04 UPSIDE	
				Fewer stockouts + larger drops	

TAKEAWAY: A buyer without automation sees inventory as a risk. MW sees it as a strategic enhancement it can directly execute, which makes MW a better buyer than a purely financial acquirer.

The red flags

- **Founder does everything.** He's the only full-time employee: marketing, product, suppliers, customer service, the drops. A buyer has to replace all of that.
- **One supplier, in China.** Great relationship, but a single point of failure with tariff and lead-time risk and no confirmed backup.
- **Meta dependence.** It's the biggest acquisition channel. Email, Amazon, and referrals help, but if Meta costs spike, cash flow feels it.
- **Priced fairly, not cheaply.** At ~4.4x SDE (~4.8x once you add inventory), there's not a big margin of safety. That's exactly why I structured the offer carefully.

How I built the offer

I wouldn't pay full price in cash. Here's the structure, designed specifically around the inventory bottleneck and the founder risk:

Piece	Amount	Why
Enterprise value offered	\$3.8M (3.68x SDE)	Below the \$4.55M ask — gap closed with structure, not a lowball
Seller note	\$684K (18%)	5-yr, 7%, 12-month standby — protects Year 1 cash
Earnout	\$456K (12%)	Tied to revenue, not SDE — on purpose
Inventory line	~\$500K, separate	Financed apart from the price, because inventory is a revolving need, not a one-time buy
Risk holdback	\$200K, 18 months	Tied to named risks: supplier transfer, Amazon account, inventory quality

The earnout choice was deliberate. If I tied it to SDE, I'd be punishing the exact reinvestment (inventory, marketing) that the deal depends on. Tying it to revenue keeps everyone pointed the same way. Small design choice, big difference.

Real brand, real momentum, real margins, and a valuable email list. I'd absolutely pursue it, but disciplined on structure, because the price isn't cheap and the founder does a lot.

PART 7**Tips & Tricks**

The specific stuff I didn't know on Day One — the things I'd tell the next fellow.

01 Follow up more than feels comfortable.

A big chunk of the replies I got came on the second or third try, not the first. Owners run their business during the day and check email between customers. The pipeline lives on cadence, not on a clever opening line.

02 Read the P&L against the listing, not on its own.

The listing is the seller's best case. The financials are reality. The distance between them is where all the useful information hides.

03 Treat seller SDE as a claim, not a fact.

"Would a buyer actually stop paying for this after close?" If the answer is no, it's not an add-back, it's the seller making cash flow look bigger than it is.

04 Build the price as a range, not a number.

One SDE number gives you one multiple. Four cash-flow cases show you the deal is anywhere from 3.4x to 6.0x. Now you know what you're really deciding.

05 Read the seller, not just the numbers.

On the first call, figure out what the seller actually cares about: price, certainty, legacy, buyer fit, or trust. That answer changes how the offer should be framed.

06 When price is firm, move to structure.

Seller notes, earnouts, holdbacks, transition support. You can protect yourself a dozen ways without touching the headline number the seller won't move off.

07 Make the LOI do the hard work early.

Put the repricing formula, earnout logic, and diligence protections in writing. The more the LOI turns uncertainty into math, the less messy the negotiation becomes later.

08 Name the bottleneck, then prove you can solve it.

"Grow online" means nothing. "Growth is capped by 16-week inventory lead times" tells you exactly what to diligence next.

09 Walk into every seller call assuming you're being interviewed too.

Especially founder-led businesses. Have a real answer for "why you", not just a list of questions for them.

10 Close without closing.

Founder-sellers notice when appreciation is real. Be genuinely excited about what they built, then pair that respect with specific proof that you understand the business.

PART 8**Where I'm Taking This**

I didn't come into this trying to find one perfect deal.

I came in trying to build a way of reading a business that actually works — and then trust it enough to put a real number, a real structure, and a real offer behind it.

Fifteen P&Ls, two full diligence processes, and one pursued LOI later, that's what I have. The framework got built on a wellness clinic and proved itself on a sock brand, which is the part I care about most: it isn't tied to an industry. **It's a way of thinking that moves.**

The biggest thing I'm taking from this fellowship is that good deal work isn't just finding businesses — it's learning how to think like an owner before you become one.

The numbers matter, but they are only the beginning. The real work is understanding what breaks, what can be fixed, what the seller cares about, and where MergeWorks can create value that another buyer might miss.

— Daria Popescu, MergeWorks Fellowship