

## [Transcript] My First Million / One Question Friday: To Raise or Not To Raise?

All right.

Quick break to tell you about another podcast that we're interested in right now, HubSpot just launched a Shark Tank rewatch podcast called Another Bite.

Every week, the hosts relive the latest and greatest pitches from Shark Tank, from Squatty Potty to the Mench on a Bench to Ring Doorbell, and they break down why these pitches were winners or losers, and each company's go-to-market strategy, branding, pricing, valuation, everything.

Basically all the things you want to know about how to survive the tank and scale your company on your own.

If you want to give it a listen, you can find another bite on whatever podcast app you listen to, like Apple or Spotify or whatever you're using right now.

All right.

Back to the show.

Hey, guys.

Producer Ben here.

I wanted to introduce this new Friday episode that we're going to be doing.

You probably remember that on Fridays, we were doing Best of the Week.

Well, it turned out no one really liked that.

Everyone thought it was filler.

Everyone thought it was fluff.

We're cutting out the Best of the Week Friday episodes, but we still wanted to do something for Fridays that was short, sweet, got you going for the weekend.

What we're doing is called One Question Friday.

You can submit a question and the fellows will answer it.

For this first question, it was about a guy's business and whether he should raise money, but it can be about anything.

It can be about life.

It can be about Sean's workout trainer.

It can be about anything.

If you want to submit a question and you want to hear your voice on My First Million, just go to [mfmpod.com](http://mfmpod.com).

It's like My First Million, [mfmpod.com](http://mfmpod.com).

In the lower right-hand corner, you'll see a little circle with a microphone in it.

Click there and then you can record a voicemail and leave it for us.

If we select your question, then you'll hear yourself on My First Million.

This is just a short Friday episode.

One question, one answer.

Let us know what you think.

If you like this replacement for Best of the Week, without further ado, here is this week's listener question.

Hey, guys.

This is Matt.

I left my full-time job February 1st to grow this business full-time.

Since then, we've had some really great growth and we're up to three locations right now.

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Things are pretty smooth other than the normal kind of day-to-day chaos that happens when we're in the business.

We're shooting for six locations by the end of this year and then the year after that, we'd like to double it around 12 or 18 locations.

My question comes with growth.

I've gotten a lot of different pieces of advice from different people.

Right now, this is a bootstrap startup.

I'm the only founder and 24 is my first business running full-time.

Is it better, and these are kind of the different pieces of advice I've gotten, is it better to run at bootstraps, grow slowly, grow controlled, is it better to take some money on and grow as fast as possible to get as big of a market as fast as possible, or is it better to maybe bring on a partner or a co-founder who can help you grow faster and maybe bring some capital or expertise or advice, and at the same time, I would love to hear what you guys think and love the show.

Thanks.

All right, so we got a question here from, do you remember his name, what was his name?

No, I don't even remember his name, but that's okay.

Nice guy from South Carolina, is that where Raleigh is, or North Carolina?

North Carolina.

All right, so he's got this business, it's called, yeah, we call him Steve from South Carolina, even though his name is Doug from North Carolina, all right.

So he's got this business Motor Boat Mechanics, which is basically a mobile motorboat mechanic business where he'll get, the website says, let's get you back on the water fast.

So I guess if your boat breaks, they'll fix it for you.

He said he's got three locations and he's thinking about growth.

What did he really want help with, Sam?

What's the actual question he's asked?

He wanted to know if, so he has some results, he goes, should I bootstrap or raise money?

And that's actually a really bad way, that's not the right question to ask.

And let's start with raising money versus not raising money.

And then there's this guy's specific example.

So I think that raising money versus not raising money, you have to ask yourself, A, what type of lifestyle do you want?

And B, what type of business do you have?

There's this great blog post that I like and they say that raising money, it's for two different things.

One, there's Ben and Jerry's and there's Amazon.

If you're Amazon, you want to raise a lot of money and you want to get really big, really fast, because it's almost a winners take all market.

I would say social media is the best example of a winners take all market where it's like, you just got to get big quickly because once everyone's using your product, everyone else continues using your product.

And that's like one of those things where it will last a long time and be big, whatever.

Or there's Ben and Jerry's, which is like, well, you can actually have loads of different

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types of Ben and Jerry's and different types of ice cream, so it doesn't really matter. One Friday, they'll go to your place, another Friday, they're going to go to another place, you all can survive.

So in that case, it's okay to kind of go slow and so you have to decide, do you have that type of business?

And the second thing is, when we're talking about what type of lifestyle you want, are you willing to sign up for like this rocket ship lifestyle?

So basically I heard this great analogy where they said, VC is kind of like rocket fuel. And what that means is that rocket fuel is meant for rockets that want to go fast or blow up.

It's not meant for cars, regardless if that car looks cool or if that car is a fast car, rocket fuels for rockets, not great cars.

And you have to ask, like, do I want a car or do I want to rocket?

Be personally, most of the time I want a car.

So those are two ways of thinking, I think, about raising money overall.

What do you think?

Yeah, I think you nailed it.

That's like saying, hey guys, tool or wrench, hammer or wrench, it's like, I don't know, those are just tools to do, what are you trying to do here?

And so you've got to first got to answer the, what am I trying to do here question?

And then you got to ask, do I need a hammer or a wrench or something else altogether, right?

Like, let's say he's like, oh, you know what, like, yeah, I agree, you know, let me, I'll tell you right now, mobile motorboat mechanics is not a rocket.

It's a car and that's okay.

There's no, that's not a disrespectful thing.

That's like just what it is.

That's okay.

Cars are awesome.

And so within that, okay, you could raise money from, you know, friends and family to open up more locations or go to the bank and get a loan and open up another location.

And so really the question you got to ask is like, say what I'm saying, like, how fast and aggressively do you care to do this?

Like how, how important to you is growth versus, you know, not having tons of stress and your lifestyle.

Now let's say you do want to grow.

Okay.

If you want to grow, then the next question you ask is so walking down the chain, we said, is this a rocket or car?

It's a car.

Okay.

Do I want to grow or do I want to go kind of steady and kind of not, not over extend myself?

Oh no, I really do like to grow.

All right.

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Cool.

Within growing is money what's holding you back or is it something else that's holding you back?

A lot of times it's not money that's holding you back.

Maybe it's, well, if I open up another location, who's going to run this one?

And it's like, actually I need to hire and so my operations can, you know, withstand another location or it's, you know, I need to, you know, scale, you know, our product offering and I just need to add, you know, more, I need to expand from boats to, you know, like different types of other vehicles and stuff like that.

And so, you know, you got to figure out is money your bottleneck.

So if you decide, all right, it's a car, I do want to grow and money is my bottleneck, then go raise money.

You'll know exactly how much you need and what you need to for and who you should go raise it from and you have a very tight story.

All right.

A quick message from our sponsor.

You know, I was thinking about the shortest day of the year earlier and while we technically have the same amount of time as every other day of the year, the lack of daylight makes it feel so much shorter, which is exactly the same kind of feeling as working with disconnected tools.

Our work days, the same length as always, but before you know it, we spent three hours just fixing something that was supposed to be automated.

Thankfully HubSpot's all-in-one CRM platform can serve as a single source of truth for managing your customer relationships across marketing, sales, service operations with multiple hubs and over a thousand integrations and easy to use interface HubSpot lets you spend less time managing your software and more time connecting with your customers.

Learn how HubSpot can help you grow your business at [HubSpot.com](https://www.hubspot.com).

And this guy, I think he said he's only 24, right?

Yeah.

I actually think that, yeah, we do have a couple of friends and we know, we know of people who have raised money at a young age and kind of knocked it out the park, but I think if you have, this guy said he had four locations.

I don't exactly know what that means.

I guess it's like four mechanic shops.

Maybe there's a world where you can have a business that makes hundreds of thousands of dollars or even millions of dollars a year at a relatively, I mean, if you're 24, that's really young, but even if he gets it by the time he's 30, it's relatively young.

It's like, dude, you kind of got money figured out.

Now, go and follow your ego and go really big.

I think there's a world where you could do that.

So in this particular case, just looking at [BoatMechanics.com](https://www.boatmechanics.com), I'm on the website.

I would say probably don't raise money.

And if you do raise money, just know what you're signing up for.

But yeah, I think it's a dumb question.

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I think it's...

In summary to our first weekly question segment, dumb question.

It's not dumb in the sense of...

Sorry, Matt Foster.

Sorry.

Matt in Colorado.

It's not dumb that you asked it.

That's actually a good question to ask, but it's a question that a lot of people ask, and I think that it's the wrong question.

And it's dumb for that reason.

It's not dumb that you want the answer.

It's just a silly way of going about it when you really think about it.

When you know the game, it's just a lot of people...

When you're new, I guess it's not dumb, but you know what I mean.

What I would do, by the way, Matt, if you're 24, what I would do is I would, as an exercise, I would go try to sell this business.

I would say I have three locations, I'm making, I don't know, let's call it 500K a year of EBITDA across these three locations, and I would go try to find kind of like a PE company or like a local buyer, I would list on buy this sell.

I would go try to talk to some sellers because what might happen is you might say, all right, do I want to grow this, and I need to get to eight...

How much time and money does it take for me to make \$2 million out of this business?

And what the answer might be is it's going to take you three years, and you're going to need to do a bunch of hard work.

You might need to raise a little bit of money, and you might need to open up a bunch of locations and travel a bit, or you might be able to be like, I could sell this for \$2 million today off of three locations producing, let's call it 300K, EBITDA or something like that.

And so I would go try to figure out, if I sold this, how much would I be able to sell it for?

How much interest is there in buying a business like this?

And what questions do they ask, and what parts of my business make them worried or scared about this?

Maybe it's operationally, it's all based on me.

Maybe it's the margins are not good enough, maybe it's not growing fast enough, whatever it is.

That will also give you a little bit of a roadmap and like an objective opinion on like the quality of your business.

And I actually think that's very healthy to go, like maybe a year or two years before you want to sell it, spend a few weeks, have a couple of conversations because it will, you'll come back and say, oh, now I can, you know, I've moved straight to the end.

You can go to the end and say, I want to sell this, well, now I know what they want.

Now I know what numbers I need in order to sell for that multiple.

Now, you know, for that, for that end amount, now I know where the, what parts of my business are not so good looking and you can work on those for the next year or two.

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I went and looked this guy up while we were talking.

I motorboat mechanics is not going to be his big home run.

I literally browsing his profile, I'm like, oh, this guy might have a couple of home runs in him.

And motorboat mechanics is going to be an awesome stepping stone for him to get there.

And stepping stones are super important.

So I would, if I was this guy, I would probably not raise money.

All right, that's a wrap.