

## [Transcript] My First Million / Shaan's Masterclass: How To Sell A Business For Millions

Okay, friends, family, people who like Pink Pop Tarts, welcome.  
This is another masterclass.  
My first masterclass was on raising money.  
It was about how to create a killer pitch deck.  
That's the start of your journey.  
If you're an entrepreneur, you're trying to raise money from investors to fund the company.  
This is now about the end of the company.  
How do you sell a company?  
Ben asked me to do a masterclass.  
He's like, hey, can you record a masterclass today?  
You're always lazy.  
So I'm repurposing a presentation I gave three, four years ago at Hustle Con.  
I went on Google Drive.  
I found an old presentation.  
I actually didn't even look through it.  
I'm just going to do it live here sort of improv style.  
But I remember being on stage and giving this talk about how to sell a company  
because I just sold my first company.  
And I remember at the time being like, I wish there was some more content  
about this because if you want to learn how to manage people, there's tons  
of books and you're going to get practice every day.  
If you want to learn how to grow revenue or sales, there's a tons  
of books and you get practice every single day.  
When it comes to selling a company, there's very little content  
out there that I thought was any good.  
And you get very few reps.  
You might sell a company once every four years, 10 years.  
It's not a common thing that you do.  
And so we're not, you know, if you don't practice, you're not very good  
at anything.  
So I learned something, some things during the process of selling  
my companies and I'm going to share them with you today.  
So let's see what I was thinking four years ago.  
The only thing I did was I removed the Hustle Con banner at the bottom  
and I put a new logo there because it said Hustle Con 2019.  
I thought that would not look so great.  
So let's jump in and hit the first slide.  
Here we go.  
I've sold two companies now, one to a big company.  
So when we sold a Twitch, Twitch owned by Amazon.  
So selling a company in Amazon was one way.  
And then Milk Road, we sold two private buyers, just like, you know,  
two dudes who were independently wealthy from their previous businesses  
and it was a totally different transaction.

So I'm going to share some lessons from each.  
When I made this presentation, I had only sold Bevo.  
So I added the Milk Road one just before I went live here, but the rest of the presentation, I didn't add any lessons.  
So let's see if I've learned something the second time.  
I always start with this when I come to selling a company.  
This is a picture of a foot and a dog and it is the first picture ever posted on Instagram.  
Kevin Systrom, the founder of Instagram, he posted this right when Instagram went live.  
And, you know, today it's this iconic picture of like, you know, this is how it all started.  
And, you know, here's the guy himself.  
Kevin Systrom looks great.  
You know, power pose, got the white sneakers.  
And if you're Kevin Systrom, you know, you got a dozen employees.  
You make a billion dollars.  
Everybody loves you, right?  
Because you've built the hot thing and everybody comes knocking at your door, right?  
If you ask Kevin Systrom, how do you sell your company?  
He'd say, well, you got to create, you know, a sensational product and then people will just come and offer you a billion dollars, right?  
Like that would be his experience.  
My experience was very different.  
We had built a good, not great business.  
We had built a good but early business and we were trying to sell.  
And so here's what we experienced.  
So if you're reading this or if you're watching this, you are not Instagram.  
And I think my talk will be maybe a little bit more applicable to you than, than what you might hear from the people that are on the Forbes list because they're, they were in a totally different position of leverage and bargaining power than most people are when they go to sell their business.  
This is you.  
You've tried, you've pivoted, you've hustled.  
It's not working or it's kind of working or it's working, but you're just tired.  
You're ready to move on.  
And this is a very common thing entrepreneurs get to and when you're here, it's okay to think, you know, where should I go?  
I've been there.

I felt it myself and this advice I heard all the time was great companies are bought, not sold.  
That sounds pretty cool.  
It's a nice little fortune cookie.  
But remember, you're not Instagram.  
And so great companies are bought, not sold.  
I think that's true.  
But most companies are sold, not bought.  
That's my, my contention at least.  
And that was my experience.  
We sold the companies more so than we just immediately got bought because we were just crushing it beyond belief.  
Like you would, like you see when, you know, whatever, huge companies get acquired.  
Here's a headline from when we got bought.  
This number is incorrect, which just shows you don't, don't believe everything you read in the media.  
I don't know where they got that exactly.  
But yeah, we, we sold, we sold for, you know, eight figures, but not like that.  
And sales, it's weird when people come up with these numbers too, because it's like, you get cash upfront, then we got these signing bonus, you get stock, then the stock price changes, you know, there's all kinds of ways to, to sort of like manipulate sales numbers.  
But let me go back here.  
When you got started, you thought this is going to work.  
And this will be big if it works.  
And I can do this and I want to do this more than anything else.  
That's typically the mindset of an entrepreneur when you start.  
And the reason I say this is because the first thing when it comes to selling your company is figure out, do you even want to sell?  
That's why I started here.  
Do you even want to sell?  
Cause when you're in this state of mind, no way you would sell.  
Why would you sell?  
This is going to work.  
It's going to be huge.  
I could do this and I want to do this more than anything else.  
That's how you should feel when you start a company.  
And then you have to check in and say, all right, you're seven and try not to check in on your most frustrated day.

But you want to say, do I still believe this is going to work?  
Do I still believe this will be big if it works?  
Do I still believe I can do this?  
And do I still want to do this more than anything else?  
When we sold our first company, we had hit this, you know, all of them kind of are true except for this will be big if it works.  
I thought we might have a medium sized exit the first time.  
And that's why I decided, well, let's sell now versus play this out for four more years and hit a medium sized exit.  
Yeah, it'll be multiples more than what we're at today, but it's still requires four more years and time is so precious.  
With Milk Road, it was more of the last one.  
I want to do this more than anything else.  
It was actually working and I thought it could be big, but my brain was wandering to new ideas, new things.  
And I was loving doing the podcast so much.  
I just, is this the one thing I want to wake up and do every day and focus on with laser focus?  
Yes or no?  
So these are the questions you got to ask yourself.  
Say, are these more true today, less true today or at the same as when I started?  
And that gives you this takes you to this point, right?  
When should you sell?  
So if you get a great offer, cool.  
Consider it.  
If you don't believe in the business anymore, well, maybe sell the assets because if you don't believe that you're not going to really take massive action, you don't take massive action.  
You're not going to get any results and then you'll just reinforce your belief like, see, I knew it.  
I knew it wouldn't work, right?  
So belief is really, really key.  
And lastly, the common case is you just don't want to run the business anymore.  
You prefer to exit versus hire an operator and you just, you're ready to move on and do other things.  
So three moments where you might sell.  
Who do you discuss with?  
I just wanted to put this up here for a second.  
So you're talking about it with yourself and maybe some mentors, but then yourself and your partners yourself and your co-founders.  
It's really a lot of conversations in your own head, which is why managing your own psychology during a sales process is

the number one most important thing.  
It's what helps you be good in negotiation.  
It's what helps you get people across the line.  
It's what helps you, you know, stand up and operate every day while you're also trying to sell the company.  
It's very difficult to do that.  
So managing your own psychology is really important.  
And then there's a note about your investors and your team.  
There is a finesse you want to do with this.  
Some people believe don't tell anybody until the deals are done.  
Some people say, well, no, I want to be transparent with my team.  
For me, I've always been on the be transparent with your team, but it does have drawbacks.  
People start to work a little bit differently when they realize, oh, we're going to try to sell this thing.  
What does that mean for me?  
Should I be looking for a job?  
Is this what happens if we don't sell?  
Will I be rich?  
What's going to happen?  
And so I think discussing it with your investors or your team is something to be very careful about.  
I probably aired too much on the transparency side.  
If I were going to go play it back now, I would only discuss with my co-founders and I would not talk to the team until the deal is done.  
And so you want to create a little like communication table.  
So your co-founders, you want to tell them ASAP.  
You know, hey, it's time to explore options.  
I'm going to do X.  
You can help me by doing Y.  
Investors, you want to tell them and say, hey, we're going to explore a sale.  
Here's what I think it would look like.  
Employees, you might say, hey, we've been approached.  
We're considering it, blah, blah, blah.  
Here's the good news.  
Here's what it means for you.  
I wrote, you know, you can put ASAP.  
You can say this, we're going to do this when the deal closes.  
You can say that we're going to do this when the deal's getting close to closing.  
You know, you want to decide your timelines and create your communication table.  
Okay, now the fun parts.  
How do you actually sell the dang thing?  
So who's who might buy you?  
You want to break it up into buckets of potential buyers because you're really

going to run a sales process.

No matter who you are, you become a salesman when it comes time to do this.

So I would say there's four potential buyers.

There's the unicorn.

So high growth companies that might want to buy you to accelerate their growth.

There's dying dinosaurs.

So, you know, incumbents that might need to get fresh blood, fresh tech, fresh energy, fresh cash flow, whatever it may be.

There's your adjacent companies, your adjacent alligators.

This is like a legend of the hidden temple.

So, you know, you got the adjacent alligators.

They're next to you.

They might be peers or competitors that you merge with.

And the last one is talent farms.

This is just go sell it to Google and they just want talent.

So they don't care about your company or your market, but they just want engineers.

You have to also know the different roles.

Who are you going to be talking to?

So when you get bought, the other side is going to have an exact champion.

So who's the one person that really wants this deal to happen?

If you can't identify that person, ain't no deal going to happen.

You should always know who is the person that is pounding the table on that side saying we got to do this deal or, hey, come on, let's figure out a solution to that problem or do just let's bridge the gap.

Let's come up a little bit, right?

You need to know who is the champion on the other side, identify them and you're going to nurture that relationship.

You got to know who's the company router.

Who's the person in the middle that can get you to the different people that need buy-in usually in big companies will be corp dev, but in smaller companies you might know who else it is.

Maybe there's an admin person or assistant.

Just who are you going to be able to reliably get information from and to?

That's not necessarily the key decision maker.

And then you got your deal doula.

So this is using a childbirth metaphor.

So if you're trying to birth this baby, you know, a doula who helps you, you know, remember to breathe.

Think about this, you know, let's move to this position.

It's going to help.

Hey, we need to get water here.

You know, your doula is the one helping you through this often, you know, painful, but wonderful, you know, process.

And so I like to find my deal doulas.

These are one or two people who have done M&A before in my, you know, they're in my corner.

I can trust them that they'll be keep everything confidential and I'm going to bug the hell out of them.

I'm going to, you know, these are people that I was texting and saying, Hey, I'm going to say this back to you.

Is that too desperate?

No.

Okay.

Let me, you know, wordsmithing it like I'm a, you know, seventh grade girl trying to figure out, do they like me?

Do they not like me?

How do I phrase this in a way that demonstrates strength without pushing too far?

Your deal doulas will help with that.

For those who love one of the greatest shows on earth, this is the Dennis system.

So I'm going to take you through the Dennis system of how to, how to sell your company.

So stage one, the D demonstrate values.

So why do companies buy companies?

There are financial reasons and then there are strategic reasons.

So financial reasons, obvious.

You're crushing it.

You're making tons of money.

They want your EBITDA.

They want your revenue pretty straightforward.

If you have it, many people don't.

So who buys companies when there's strategic reasons?

Well, here's six strategic reasons.

The CEO finds it interesting.

That's the first one.

That is surprising how far that goes.

The CEO's got a pet project.

CEO has got an itch to scratch.

Awesome.

If you got, if you're so lucky to have that, fantastic.

Number two, there's a new executive or an executive gets a promotion and they need to demonstrate big moves as a signal.

So they're, they're, they're on the way out or they're on the way in and they're looking for, for some kind of big move, some big, big thing to do as a signal.

That's good for you when that happens.

Number three, they're trying to catch up to a surging competitor.

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You know, this is Adobe, you know, using Figma to catch up.  
There are many examples of this along the way.  
Synergy, one plus one equals three.  
This is Uber merging with DD in China so that they don't keep competing each other, driving costs up.  
They say, Hey, why don't we merge into one entity and then we own a monopoly.  
We can cut costs actually.  
We can raise prices.  
So one plus one could equal three in this case.  
They're afraid of you.  
This is Facebook buying Instagram.  
You know, you do what they do, but better Instagram is better at sharing photos than Facebook.  
And okay, you're going to get a strategic premium when that, when that's the case.  
And the last one is you have unique talent.  
So you might have computer vision PhDs and they're having trouble finding that talent in mass.  
And it's actually cheaper to acquire you and get the talent as a bundle that's proven to work together versus going through a long, slow recruiting process.  
And so it's important to figure out for every potential buyer what, what might be the reasons that the, that, that they will, they will buy you.  
Next step, E engage physically.  
So who do you actually reach out to?  
What do you say?  
And what's the goal?  
You know, you can reach out to a number of folks.  
You can reach out to executives, just go meet somebody who's at the company.  
Corp dev, their job is to meet companies that might be interesting to acquire.  
Investors might make introductions.  
You know, when we were selling, we went to a, I went to an investor who was an investor in Discord and I said, Hey, we got this thing.  
Discord might want to buy it.  
And he said, let me email the CEO.  
CEO gets an email from their biggest investor.  
They're going to take it seriously.  
And then all of a sudden I'm, you know, next day, I'm in a meeting with the CEO and I'm pitching why this, why one plus one could equal three.  
There's also advisors.  
I mean, what do you say?  
You know, you say, Hey, I want to discuss a partnership on how we might be able to work together.  
Intent, right?  
Like that's discuss a partnership is the best way to kind of open the door.



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The more aggressive way, which I've done also is, Hey, we got an offer. We're, you know, we're considering our next steps. Maybe we're going to raise money or we have an acquisition offer. I would love to talk to you before we just go and make a decision. And they say, Oh, yeah, yeah, come talk to us first. Don't just, don't just do it without, you know, we want to take a peek under the hood. We want to know our options before we get in. Your goal here is just to get an in-person meeting. And so, you know, use these two frames in order to get an in-person meeting. Now, what do you do if you don't know them? Well, you got to reach out. You got to reach out cold. Ideally, you've been building a relationship over time. This is the smart way to do it is you meet people in the company. You keep them posted with light updates. They see you. They know you. They see you at an industry event so that when the time comes, you can do this, you're not an absolute stranger approaching them. But I've done it as a stranger too. Usually when I'm a stranger, corp dev is the easiest way to go. Next, and nurture dependence. I'm covering some of the words here, but you want lust, not love. Lust is going to get, is a high burst immediate like, Oh, I see the, you know, it's like greed. It's like, Oh, I want something out of this. Your goal is to tap into emotions. And when I say this, it's about clarity, not trickery. You're not going to manipulate anybody into buying your company. What you can do is frame what you're doing in a way that is maximally appealing to them, something that taps into their desires, their dreams, their emotions, their pain points, and you need to trim the fat of your story so that you are the answer to that problem. I'll give you an example. When we sold to Twitch. I had met in terms of engaged physically. I'd, I'd gone, I'd gone through corp dev. Corp dev got me a meeting with the CEO the next day and I said, all right, well, I don't know what to, I don't know how to frame what we're doing to the CEO, but I had met a guy on a boat in Australia of all places who worked at Twitch. He was an exec. I said, I gotta hit that guy up.

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So I hit him up.

I said, Hey, can I get a beer with you today?

So yeah, yeah, sure.

Let's do it.

I said, I got a meeting with the CEO tomorrow.

I don't know how to navigate it.

You know the guy.

Can I just get a beer with you just to get your download?

So I go get a beer with him and I say, you know, what's he like?

What's he, you know, what, what should I expect?

Blah, blah, blah, blah.

And then I said, tell me what are the top like three, when you're in these exec meetings, you're, you know, you're, you're at the highest level.

I'm stroking the ego.

You're, you're, I know you're in the room when they're making the big decisions.

So what are the top three priorities?

Like what do y'all really care about?

Is it profitability?

Is it revenue?

Is it growth?

Where, what are the top three priorities?

And then he'll say them.

I said, okay.

I said, which one of those is like stuck?

Which one of those needs a solution?

Cause like sometimes you already have a solution in mind.

You love that solution.

You don't want to interrupt it.

But which one is still, we don't really love our plan here.

It feels the weakest and need some bolstering.

And then he told me, Hey, we have this thing.

And actually everybody's pretty bullish on it, but we don't have the right team and we don't have the tech to do it.

And the guy we have, he's not good with tech.

So it's going to be a problem.

I said, Oh, say less.

So then when I go into the meeting the next day, I say, we're great at doing this one thing and I'm a great leader and I know tech and we have the team that we have the tech already built and I have the team that, that built it.

And so now I packaged my story as how I am the solution to their problem versus what most people do is they come in as a startup and say, here's what we do.

Here's why we're great.

You know, here's this other feature we have.

Here's this feature we have.  
Oh, this guy says this.  
They're all over the place.  
And it's like, all right, good for you.  
But that doesn't tell me why I want you.  
So it's a, it's a sales pitch.  
You got to package yourself as the solution to their problem.  
Another way to say this, you need to find their pain offer a cure.  
You know, other questions that might be helpful.  
What initiative has the most juice or momentum or buy-in right now?  
You want to buy-in is like the best word with corporations.  
What, what has all, what has all the, the exact buy-in right now?  
Oh, they're all bought into this idea.  
What are the fires that need putting out?  
Who's on the chopping block?  
What company are you guys most afraid of?  
If I only had 20 minutes in front of your CEO, what part of what we're doing do you think he'd be most interested in talking about?  
And then you also want to suss out, who's the decision maker?  
So, hey, right now we're talking to this guy.  
Is he the decision maker or who should we be talking to?  
And oh, no, no, no, no, his boss's boss is the guy.  
Then you want to talk down, this is a little pro tip.  
Talk to founders who have been acquired by the same company before.  
So go to them, say, hey, you acquired three years ago, four years ago, whatever.  
What was it like?  
How did the process go?  
Where the timelines that they told you real or fake was the, when they said this is the most we could do, was that real or fake?  
Did they try to retrade the deal later or not?  
What was your experience with the CEO?  
Was he really into it?  
Was he, is he more reserved?  
What did, what did that mean?  
You're trying to get a bunch of intel and, hey, this is founder to founder from somebody who, you know, has done it before.  
Ideally, who's left the company now.  
I got a ton of great intel on this.  
Okay.  
Here's another.  
This is just a classic move when we did it.  
You want to do the work for them.  
So what a lot of people do is they say, here's, here's what we do.  
Then they sit there and they pray.

I hope they understand it.

I hope they get it.

I hope they like it.

No, through that, you take matters into your own hands.

So you basically say, Hey, I wrote up a one pager that explains where I think this makes a lot of sense strategically for you guys.

Cause if we're going to do this, then, you know, I want to make sure, you know, I thought about this from your perspective and what, what this would look like once we joined, you know, I did some crazy things.

So basically on the technical side, I had our team write a technical one page rule.

Here's all the stuff we built.

How long it would take for anybody to build it.

What's our special sauce so that they could just see, man, buying this is going to save us so much time.

Look at all these assets.

They already have who's the talent.

Here's my, I made our team a present like into a presentation of like, here's all the talent we have, what they've done before, make it really easy for them.

It's a dating profile.

Do I want to swipe right or left on these people?

And then I, this thing, I wrote a letter from the CEO.

I said, I said, I think this deal makes a lot of sense.

And I wanted to write that out into a memo.

I know you guys have this memo writing culture.

Like Amazon has this thing, like you write six page memos for all your strategies.

So I took a stab.

I wrote one.

I mean, obviously I don't know some of the internal things.

So I, you know, I took guesses.

They're, they're in blue.

You can see the guesses.

But yeah, I wanted to put my logic on paper because I don't want to do this.

If this doesn't make sense, right?

You're not saying, please, please, please buy me.

You're saying, I'm trying to figure out, does this make sense for both of us?

It's a two way street.

And so in order to do that, I wrote something to give myself clarity.

I thought you'd like to see it.

And so I actually wrote for one of the acquisitions.

I said, this is how I would announce this deal to the company, to the team, to your exact team and the rest of the employees.

And I just wrote a really persuasive argument of like, we bought this company.

Here's why.

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Here's why this was a good idea.

Here's how best here.

Awesome.

This is going to be, here's the, how this solves one of our problems.

I'm so excited about this acquisition and like in doing so, again, I made it easy.

Somebody told me this, one of my deal.

Do as he goes, you need to turn your company into a giant buy button.

Like a, like Amazon one click checkout.

So that means make it easy to understand what you do.

Make it easy for them to understand your team, your technicals, your, your strat, how you strategically align.

And last thing, you get your, get all your financials in like very clean, proper, you know, data room so that there's no friction in trying to buy your company.

Last one, neglect emotionally, the Dennis Reynolds special.

So you need to find another partner.

You need to go cold.

All right.

You don't want to be all in hot on one partner.

That is not how you get the best deal.

So you need to find multiple partners at the same time.

You need to be negotiating these in parallel.

You don't do one at a time.

You start the process.

You know, you're starting conversations with 10 folks at once, 20 folks at once.

You're narrowing it down.

You're trying to get multiple offers in the same week so that you can tell them, Hey, we got another offer.

Sometimes you go cold a little bit.

Make them sweat.

Not too long.

Don't push it, but it's not a bad thing.

I also leave breadcrumbs.

I don't know if this made a difference or not, but I would like check in on my Instagram story, like I'm in Seattle.

Oh, cool.

I've never been to the office to this cool office before.

And like they know they're like, Oh, he's at Microsoft.

He's at Facebook.

Where is he?

He's talking to that.

He's talking to our competitors.

So, you know, I don't know if that shit works, but it amused me at the least.

It made me feel like I was doing some, some James Bond shit.

All right.

Last one.

Inspire hope.

This is where you go back to him and say, look, we got other options, but we want you.

Can you make that happen?

Can you get your deal?

Can you get your offer a little stronger here, here and here?

And it's time sensitive.

Look, like we have this other offer on the table.

They're not going to sit around and wait.

So if you can get us something, we can, we would like to work with you.

We think you are the best fit, but obviously, you know, burdened hand is a really good offer.

And, you know, I don't want to blow it for my team, but by sitting here, hoping you guys come around, you know, you need to, to use the, the leverage from one deal to get a better deal.

And then you sell entirely.

So you need to do the, you need to have your due due diligence stuff ready.

You need to make sure that the closing terms are clean.

You need to get a good lawyer and a good accountant.

Don't, and don't burn bridges because deals fall through and you may need to go back.

So make sure you communicate properly, even when you say no to people and do everything with, with sort of integrity and grace, because many times deals have fallen through.

We need to go back when we sold the milk road.

It was somebody we had rejected the last minute, but we didn't burn the bridge and they didn't burn the bridge.

And we came back, you know, later and we said, Hey, still interested.

And they sure were.

And there you go.

The advice I got here, my deal doula was this is when you need to sprint the hardest.

So normally an entrepreneur gets a term sheet.

It's like, they want to relax finally.

Look at this.

The big number.

I'm going to be rich.

This is awesome.

And they take a moment to relax.

You can't relax here.

This is where you sprint the hardest to close.

You cancel everything else.

You just spend all day following up with lawyers, data room, your accountant,

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making sure that all your ducks are in a row, solving any problems along the way.  
Lastly, celebrate.

Make sure you celebrate very often.

The whole process is so stressful that the main feeling is just relief.

I think that's common, but you want to let that relief subside and then have the joy and the pride that you did something kind of amazing.

Okay.

Remember some, some tips here.

The great advice I got birds fly fish swim and deals for all through.

That's what they do.

Just remember deals fall through.

That is completely normal for them.

You can't get emotionally too high too low.

The second deal momentum is everything.

If you have a conversation going the speed with which you follow up and you get them the materials and you, you move forward is everything.

Momentum is everything when it comes to deal making.

And last thing one choice is no choice.

If you only have one person that could buy you one company that's going to buy you, you have essentially zero people that will buy you have zero leverage.

So you need to have multiple choices.

One choice is no choice.

All right.

That's it.

That's the masterclass.

Let me know what you thought about that one.

Drop comments on YouTube.

So that's where I read them.

So go to go to YouTube.

My first million hit the thumbs up.

If you like this, subscribe to the channel.

We're over 200,000 subscribers now.

That's amazing.

If you guys like these, I'll do more of these.

They're not easy to do these masterclasses, right?

Like it ain't easy to drop these kinds of bombs.

But if you guys like it, I will make an effort and I'll try to do more of these until I'm all out of knowledge.

And then I'll, then I'll stop and just go retire.

So let me know if these are worth doing and your compliments fuel me to do more.

All right.

I'm out of here.

Yeah.