HEC PARIS MBA PROGRAM



Photo: Newton Campos

ETA WITHOUT BORDERS

HEC PARIS SEARCH FUND CLUB INAUGURAL CONFERENCE GUIDEBOOK 2026

19 SEPTEMBER 2026 · PALAIS VIVIENNE, PARIS

PUBLISHED OCTOBER 2026

FOUNDER'S FOREWORD

WHY ETA WITHOUT BORDERS EXISTS

I founded ETA Without Borders because Europe's next generation of business owners will not appear on its own. We are living through a Cambrian expansion of new ideas, products and tools, and artificial intelligence is becoming a commodity, a utility available to every company. What stays scarce is leadership: people with the conviction to take on a mandate and the ability to bring others with them. Europe's family businesses and small and medium-sized enterprises need exactly those people, and many of them will come from today's students and young professionals.

The need is urgent. Bpifrance counts some 370,000 French businesses that could change hands by 2030, and KfW expects 545,000 German SME owners to seek a successor between 2025 and 2029. Our first panel put it plainly: capital is abundant and companies are available; committed operators are the bottleneck.

There is no single path. Search funds are a slice of a slice of a slice: one part of entrepreneurship through acquisition, which is one part of lower-middle-market M&A, itself one form of growth by acquisition and one of many routes to ownership. Within that space the choices multiply: a solo or a duo search, a CEO-in-residence cohort, a portfolio company inside a holding structure, a single-deal vehicle, and different capital at every stage. These are tools, and they can be configured in many ways.

So we built the day around the decisions. When to search alone or with a partner; when to join a platform or a portfolio company rather than search; when to build through add-on acquisitions; and what the people who finance each route look for before they underwrite it. In the room, 160 searchers, investors, operators, advisers and students heard it from people who have made those choices. The right person, with conviction and a clear view of leadership, can change a company and the community around it, and be rewarded for it, financially and otherwise.

"Without borders" is the ambition. It means the borders between countries, which shape law, financing and seller culture, and also the borders between models and careers that keep talented people from seeing ownership as an option. ETA Without Borders will continue as a long-term initiative: convening the community, keeping this research current, working with universities and bringing more of Europe's businesses into the hands of leaders who will run them well.

My thanks to Mahek Mowar, our Executive Director, to Noémie Rideau and Alfredo Ariosto Acosta, to the HEC Paris – Dieter Schwarz Center for Family Business, and to every sponsor, speaker and attendee who made the day possible.



HEC PARIS
MBA PROGRAM

James Pfeifer
Founder and Conference Chair, ETA Without Borders
HEC Paris MBA candidate · Paris, October 2026

IN THIS GUIDEBOOK

FRONT MATTER

Founder's foreword 2

How to use this guidebook & the day at a glance 4

Conference impact & legacy 5

The day in review 8

PART I · UNDERSTANDING THE MODEL

1 The 1984 Experiment: Where Search Funds Came From 10

2 ETA Is Bigger Than Search Funds 12

3 The Different Roads to ETA 14

From the stage · Panel 1: Choosing the Right Path to Ownership 17

4 The Traditional Search Fund: From Investor to Exit 20

5 Follow the Money: Economics & Incentives 23

PART II · LEGAL & CROSS-BORDER ARCHITECTURE

6 Legal Architecture: From Search Vehicle to Acquired Company 28

7 ETA Without Borders: What Changes in a Pan-European Search? 31

From the stage · Panel 2: Cross-Border ETA in Europe 35

PART III · FINDING & BUYING THE BUSINESS

8 What Makes a Good Search-Fund Target? 40

9 The Search: From Thousands of Companies to One 42

10 From LOI to Closing (with Panel 3: Deal Killers) 44

PART IV · BECOMING THE OWNER

11 Searcher → CEO (with Panel 4: The First 100 Days) 50

12 Hold, Compound or Exit 56

PART V · WHAT THE EVIDENCE SAYS

13 Search Funds by the Numbers: North America 59

14 Search Funds Without Borders: International, Europe & France 61

15 What the 33.9% Does Not Tell You 64

16 Is ETA for You? 66

CLOSING

Conference Conclusions 68

Forward Mandate 69

Acknowledgements 70

Sponsors & Partners 71

BACK MATTER

17 ETA Glossary 72

18 Further Reading & Bibliography 74

Speakers & Contributors 76

THE THREAD THROUGH EVERY CHAPTER

A recurring **ETA Without Borders** callout asks which parts of the search-fund model are universal and which are products of one country's law, financing markets or networks.

BEFORE YOU BEGIN

HOW TO USE THIS GUIDEBOOK

A field guide to buying and running a small or medium-sized company, built from the conference and the research behind it.

- **Parts I–II** explain the model, its economics and its legal and cross-border architecture.
- **Parts III–IV** follow a search from target to closing and into the first year as CEO.
- **Part V** covers outcomes in North America, Europe and France.
- Each panel's insights sit inside the chapter they inform, marked **From the stage**.

ETA WITHOUT BORDERS
What changes when the searcher, investors, vehicle and target sit in different countries.

DID YOU KNOW?
A useful fact, with its source.

FROM THE STAGE
What speakers said on 19 September 2026.

KEY TAKEAWAYS
The chapter in four to six lines.

WORKED EXAMPLE
Simple numbers that show how a mechanism works.

LEGAL NOTE
Points to raise with your lawyer or tax adviser.

THE DAY AT A GLANCE

SATURDAY 19 SEPTEMBER 2026 · PALAIS VIVIENNE, PARIS

OPENING ADDRESS
Welcome remarks by James Pfeifer; Pierre-Paul Benoit (LeFonds Capital) and Bertrand de Poly (MANTEA; President, HEC Repreneurs)

PANEL 1 · CHOOSING THE RIGHT PATH TO OWNERSHIP
Moderator: Marc Bartomeus. Bruno Lucas, Guillaume de Braquilanges, César Ortiz Sotelo, Christopher Tournis Gamble

PANEL 2 · CROSS-BORDER ETA IN EUROPE
Introduced by Brad Harris, Associate Dean, MBA Programs, HEC Paris. Moderator: Simon Bores Llanos. Newton Campos, Daniel Perthes, Florent Robineau, Miguel Marques Paulo, Anna Kaukkila

PANEL 3 · DEAL KILLERS: FROM LOI TO CLOSING
Moderator: Gonzalo Veuthey. Juan Cuesta, Jaume Argerich, Ruben Tros, Miguel Indekeu

PANEL 4 · THE FIRST 100 DAYS AS CEO
Moderator: Tiphaine Saltini. Adrian Carniol, Marc Bartomeus, Joachim de Belgique, Guy-Louis de le Vingne

SESSION · AI FOR SEARCHERS
Maxence Lapras, founder of Matrila, on data-led sourcing and outreach for French searchers

SEARCH FUND PITCH COMPETITION
Six student teams from HEC Paris and Esade, run in parallel with the panels

CLOSING ADDRESS · THE FUTURE OF ETA
Dr. Cécile de Lisle (HEC Paris – Dieter Schwarz Center for Family Business) and Simon Bores Llanos (Istria Capital); closing remarks by James Pfeifer and Mahek Mowar, who announced the competition winners

THE DAY IN NUMBERS

ETA Without Borders brought Europe's acquisition-entrepreneurship community to the Palais Vivienne in Paris for an opening address, four panels, a session on AI for searchers, a student Search Fund Competition and a closing address on the future of ETA.

160
attendees at the Palais Vivienne

€30K+
raised in sponsorship and support

250+
people registered, from about 20 universities and business schools and more than 100 organisations

6
sponsors, from search-fund investors to law firms and an academic centre

44
searchers registered, alongside 24 investors

25
speakers and moderators on stage

7
European countries where the speakers' firms are based

6
student teams from HEC Paris and Esade in the Search Fund Competition

The programme, 19 September 2026

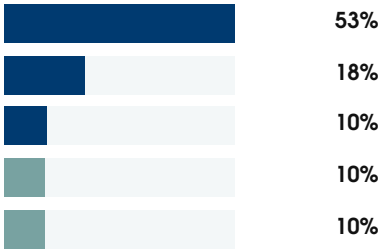
09:15	**Opening address** · Welcome from James Pfeifer, then Pierre-Paul Benoit and Bertrand de Poly on the European succession supercycle
10:00	**Panel 1** · Choosing the right path to ownership
11:15	**Panel 2** · Cross-border ETA in Europe, introduced by Brad Harris
12:15	**Networking lunch** · AI for searchers with Maxence Lapras (Matrila); the pitch competition ran alongside the panels
14:00	**Panel 3** · Deal killers: from LOI to closing
15:15	**Panel 4** · The first 100 days as CEO
16:30	**Closing address** · The future of ETA; closing remarks by James Pfeifer and Mahek Mowar, who announced the competition winners; then the reception

Programme: etawithoutborders.fr.

> **Paris was not on the European Search Fund map five years ago. This week it hosted one of the best-curated EtA events I have attended in Europe.**
>
> Dr. Newton Campos, Founding Partner, Newton Equity Partners, 20 September 2026

WHO WAS IN THE ROOM, WHAT THE DAY ACHIEVED

Who registered, by role



INVESTOR REPRESENTATION

Investors from ten firms and family offices took part on stage: LeFonds Capital, WAD Capital Partners, Istria Capital, Newton Equity Partners, evolutiq, ONEtoONE, Inveready, Aniol Family Office, Innesto Partners and Ariol Capital. Between them they back traditional, accelerated and sponsored searches across Europe, and include Europe's first institutional fund of search funds.

PARTICIPATING INSTITUTIONS

HEC Paris (the MBA Program, the Dieter Schwarz Center for Family Business, the Search Fund Club and HEC Repreneurs), Esade, IE Business School and INSEAD on the programme. Registrants also came from IESE, London Business School, ESCP, EDHEC, the University of St. Gallen, Cambridge Judge, Rotterdam School of Management, WHU, emlyon, Université Paris Dauphine-PSL and École Polytechnique, among others.

PRINCIPAL ACHIEVEMENTS

1. **Questioned the default model.** Tested the U.S. search-fund template against European law, financing and seller culture, and set traditional, self-funded, CEO-in-residence, holding-company and project models side by side.
2. **Took the model to its frontier.** From infrastructure and regulated assets to Finland's first traditional search fund, frontier markets and AI-led sourcing.
3. **Put leadership and trust on the agenda.** Examined the intangibles that decide outcomes: seller trust, the founder handover, the board relationship and the authority a new CEO has to earn.
4. **Made the case for the lower middle market.** Challenged current and future leaders to treat lower-middle-market M&A and operations as a serious space for growth, value creation and careers.
5. **Connected the ecosystem.** European universities, operators, ecosystem enablers and investors in one room, exchanging what they know.
6. **Built something new.** Launched ETA Without Borders as a European forum connecting investors, operators, universities and future business owners.



Finalists, judges and organisers of the Search Fund Pitch Competition, 19 September 2026. Photo: Newton Campos.

INTERNATIONAL REACH

Speakers' firms are based in France, Spain, Portugal, Germany, Belgium, the Netherlands and Finland, with experience ranging from Spain's first search fund to Finland's first traditional search fund. The map overleaf shows where registrants came from.

> **NEWTON CAMPOS, THE NEXT MORNING**
>
> **"Investors, searchers, operators, sponsors and a room full of students [...] Congratulations to everyone involved; this is how ecosystems get built!"**
>
> Dr. Newton Campos, 20 September 2026

WHERE THE ROOM CAME FROM



17
countries represented

4
continents: Europe, North America, South America and Asia

≈20
universities and business schools

100+
firms, funds and institutions

EUROPE

Austria, Belgium, Finland, France, Germany, Hungary, Italy, Liechtenstein, Luxembourg, the Netherlands, Portugal, Spain, Switzerland and the United Kingdom

THE AMERICAS

Argentina and the United States

ASIA

India

Countries reflect participants' schools, employers and origins as known to the organisers.

THE DAY IN REVIEW



Photo: Newton Campos

Dr. Newton Campos (Newton Equity Partners), a Panel 2 speaker and competition judge, wrote up the day the next morning. His main conclusions:

- **Paris is now on the European search map.** He described the day as one of the best-curated ETA events he has attended in Europe.
- **Know yourself before the target.** The investor and the operator who opened the day reached the same conclusion from different chairs.
- **A working ranking.** Spain leads; France is emerging with growing institutional support; the Nordics, the Netherlands, Belgium and Switzerland remain frontier.
- **The window is closing.** Southern Europe's proprietary-deal advantage is narrowing as brokers arrive.
- **Depth over volume.** Small markets reward deep relationships more than mass outreach.
- **The edge was never price.** A searcher's structural advantage over private equity is legacy, commitment and trust.

Source: Campos, N. (20 September 2026), *What You Missed at EtA Without Borders at HEC Paris, September 2026*, LinkedIn.

PART I



UNDERSTANDING THE MODEL

The idea, the models, the lifecycle and the economics.

1 The 1984 Experiment 10
2 ETA Is Bigger Than Search Funds 12
3 The Different Roads to ETA 14
From the stage · Panel 1 17
4 The Traditional Search Fund 20
5 Follow the Money 23

THE QUESTION THIS PART ASKS

The search fund is a U.S. innovation that has since travelled. Which elements of the original structure are universal, and which are products of U.S. law, financing markets or MBA networks?

CHAPTER 1

THE 1984 EXPERIMENT

Search funds began with a simple but unconventional proposition: invest in the entrepreneur before the acquisition target is known.

The search fund is unusual among private-market structures because its first investment decision precedes the identification of an asset. In the core model, investors initially finance an entrepreneur (the searcher) to identify a company to acquire; the larger acquisition investment is considered only once a specific target has been found. The structure therefore emerged less as a new asset class than as a practical solution to an entrepreneurial-finance problem: how can a capable aspiring owner-operator acquire and lead an established company before accumulating the personal capital or operating track record normally associated with a buyout? (Stanford GSB, 2024)

Stanford Graduate School of Business dates the search-fund concept to 1984 and states that the term "search fund" originated at Harvard Business School that year before being popularised at Stanford thereafter. A University of Chicago Booth history traces the model's intellectual development to 1983, when H. Irving Grousbeck, then teaching at HBS, was helping young entrepreneurs explore the acquisition and operation of small businesses. This guide therefore treats 1983–84 as the model's formative period, with 1984 as its recognised launch. (Kelly & Heston, 2024; Dennis & Laseca, 2016)

1.1 A practical problem before an asset class

The innovation was not the idea of buying an existing business; entrepreneurs had done that for generations. The distinctive feature was the staged financing and governance mechanism. Investors could make a relatively small initial commitment to a person and a search process, preserve the ability to assess the eventual target, and then decide whether to provide acquisition capital. The entrepreneur, in turn, gained time, credibility, a network and access to experienced advisers while searching for a company that he or she would ultimately lead.

This structure also proved naturally compatible with business succession. An owner considering retirement or liquidity could sell to an identifiable individual who intended to become the long-term operating leader, rather than to an anonymous pool of capital. The result was an unusual combination of entrepreneurship, acquisition finance and governance: the searcher received a path to ownership, the seller could obtain continuity, and investors combined capital with mentorship and board oversight.

Table 1.1 · The problem the early search-fund structure was designed to solve

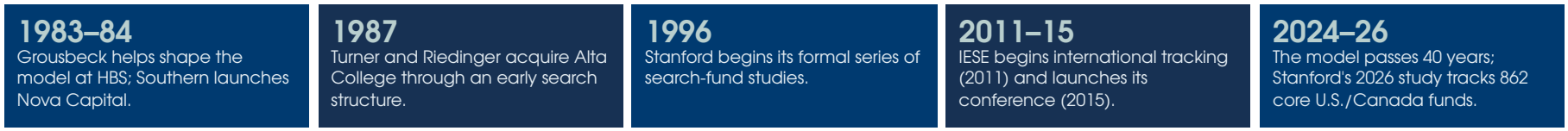
Perspective	Constraint	Structural response
Entrepreneur	Wants to own and lead a business but has not yet identified a target and may lack sufficient personal capital.	Raise search capital first; acquire only after a suitable company is identified.
Seller / company	Needs liquidity, succession or a new leader while preserving continuity in the operating business.	Transfer ownership to an identifiable owner-operator who intends to lead the company.
Investor / governance	Cannot underwrite an acquisition before the asset exists and must manage first-time-CEO risk.	Stage capital, retain discretion at acquisition, and contribute mentorship, board oversight and networks.

Sources: Stanford GSB (2024); Dennis & Laseca (2016).

1.2 Jim Southern and the first recognised search fund

The first recognised implementation of the model is associated with Jim Southern, an HBS MBA graduate who launched Nova Capital in 1984 under Grousbeck's mentorship. Southern's search led to the acquisition of Uniform Printing, a specialist printer serving the insurance industry. A 1986 Harvard Business School case captures the unusual scale of the opportunity facing a recent MBA: the target was a forms-printing business with approximately US$43 million in annual sales, and the transaction was structured as a leveraged buyout. (Grousbeck, 1986; Pacific Lake Partners, n.d.)

Figure 1.1 · From experiment to ecosystem: selected milestones, 1983–2026



Sources: Dennis & Laseca (2016); Stanford GSB (2024, 2026); IESE International Search Fund Center; Rosenthal & Simon (2024).

DID YOU KNOW?

The first recognised search-fund acquisition was not a micro-business. Harvard Business School's 1986 case describes the target as a forms-printing company with approximately US$43 million in sales, a substantial job for a recent MBA graduate. (Grousbeck, 1986)

Southern remained at the company for approximately a decade. A later IESE history reports that the investment returned about 25 times the capital invested. The precise multiple is less important than the institutional lesson: the first experiment demonstrated that investors could back a young operator before the asset was known, remain engaged after acquisition, and build substantial value through a long operating period. Early successes by Southern and, soon after, Jamie Turner and Kirk Riedinger helped turn what could have remained a one-off transaction into a repeatable model. (Rosenthal & Simon, 2024)

1.3 From an experiment to an ecosystem

Replication was followed by measurement. Stanford GSB began a formal series of search-fund performance studies in 1996, creating an unusually long-running dataset for a niche form of entrepreneurial acquisition. Over time, that research helped standardise vocabulary, document outcomes and make the model more legible to prospective searchers and investors. (Stanford GSB, 2024)

Internationalisation came later. In 2011, IESE Business School began working with Stanford to identify and track search funds outside the United States and Canada; in 2015, IESE hosted its first International Search Fund Conference. As the model moved abroad, it met different company law, financing markets, tax systems, investors and succession cultures. Those differences run through this guide. (IESE International Search Fund Center, n.d.)

By 2026, Stanford's North American study covered 862 core search funds formed since 1984. What began as an experiment around a handful of entrepreneurs and mentors is now an established route into business ownership. (Kelly, Zenios & Ng, 2026)

1.4 Why the history matters

The history clarifies what is distinctive about a search fund. It is not merely a small private-equity fund, nor simply a leveraged acquisition by an individual. Its defining logic is the sequencing of the relationship: investors first underwrite a person and a search process; later they evaluate a specific company; and, if an acquisition closes, they often remain involved as directors, advisers and repeat investors while the searcher becomes the operating leader. The asset matters, but the entrepreneur–investor relationship is built before the asset exists.

KEY TAKEAWAYS

- The model took shape in 1983–84 around H. Irving Grousbeck; Stanford's studies state that the term originated at HBS in 1984 and was popularised at Stanford thereafter.
- The innovation was staged: finance the search first, evaluate and finance the acquisition second, then support the searcher through ownership and governance.
- Early transactions showed that a relatively inexperienced entrepreneur could become an owner-CEO with experienced investors providing capital, mentorship and board support.
- Replication, Stanford's research programme and later IESE's international tracking turned the model into a documented ecosystem.

CHAPTER 2

ETA IS BIGGER THAN SEARCH FUNDS

Entrepreneurship through acquisition (ETA) is the entrepreneurial act of buying an existing business and assuming responsibility for leading and developing it. A traditional search fund is one way to finance and govern that journey.

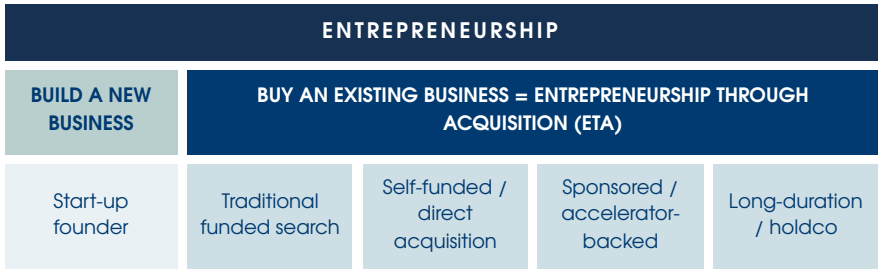
The distinction matters: ETA describes the entrepreneurial objective; the search-fund structure describes one route for reaching it. (Kelly et al., 2026; Ruback & Yudkoff, 2017)

2.1 Buying rather than building

Entrepreneurship is often equated with starting a company from scratch. ETA begins from a different starting point. Instead of organising around an unproven product or new venture, the entrepreneur acquires an operating business with an existing history, customers, employees, suppliers and cash flows, and then becomes responsible for its future. Harvard Business School professors Richard Ruback and Royce Yudkoff describe this as an alternative path to ownership: buy a small business and run it as CEO rather than create one de novo. Stanford's search-fund literature similarly places the acquisition of an existing business within the broader set of routes into entrepreneurship. (Ruback & Yudkoff, 2017; Kelly & Heston, 2021)

This distinction does not make ETA inherently safer or easier than founding a start-up. The risks are different. An acquisition entrepreneur avoids the blank-sheet challenge of creating a product, customer base and organisation from zero, but inherits a real company whose economics, culture, contracts and operating practices must be understood before and after closing. The entrepreneurial challenge therefore shifts from proving that a business can exist to deciding whether an existing business is worth owning, financing a transfer of control, earning the confidence of its stakeholders and improving it over time.

Figure 2.1 · ETA is an umbrella: the objective is broader than any one financing model



Sources: Kelly et al. (2026); Rice & Wasserstein (2021); Ruback & Yudkoff (2017).

2.2 One entrepreneurial objective, multiple capital architectures

Once an entrepreneur decides to pursue ETA, a second decision follows: how should the search and acquisition be financed and governed? That question has no single universal answer. Rice and Wasserstein's Yale case note distinguishes traditional, self-funded and accelerator approaches and documents a wider family of alternatives, including holding-company and single-sponsor structures. Stanford's 2026 Primer likewise emphasises the core traditional model while acknowledging that search-fund practice has continued to evolve. (Rice & Wasserstein, 2021; Kelly et al., 2026)

The models differ principally in when external capital enters, how much financial risk the entrepreneur carries personally, how much control is retained after acquisition, the size of company that can realistically be purchased, and the degree of investor infrastructure surrounding the searcher. In a traditional search fund, investors finance the search before a target exists and may later invest in the acquisition. A self-funded searcher finances the search personally and may only raise outside equity after identifying a company. Sponsored and accelerator models add more concentrated capital and institutional support, while long-duration vehicles may be designed to acquire and compound businesses over a much longer horizon. Chapter 3 compares these routes in detail.

2.3 What ETA is and is not

ETA sits at the intersection of entrepreneurship, M&A and private investment, which explains why it is easily confused with adjacent activities. What defines it is that the acquirer intends to become an owner-operator, usually the chief executive, and accepts direct responsibility for the company's long-term performance. A private-equity professional can acquire the same type of company, but the investment team will not ordinarily leave the fund to become the full-time CEO of a single portfolio company. A corporate acquirer may buy the business, but the objective is strategic integration rather than entrepreneurial ownership by an individual.

Table 2.1 · ETA compared with adjacent paths to business leadership

Dimension	Start-up founder	ETA owner-operator	Private-equity team
Starting point	Idea, problem or new market proposition	An existing operating company	An existing company as an investment opportunity
Role after investment	Founder / operator, often CEO	Owner-operator, usually CEO or equivalent	Investor / board role; professional management operates
Operating history inherited	Little or none	Customers, employees, systems, contracts and culture	Yes, but the deal team does not usually become the operator
Economic exposure	Founder equity	Direct personal equity plus operating compensation	Fund economics, carried interest and/or co-investment
Central challenge	Create product-market fit and scale	Transfer control, preserve what works and improve the business	Underwrite, govern and realise portfolio value

Sources: Ruback & Yudkoff (2017); Stanford GSB (2026); Rice & Wasserstein (2021).

2.4 Why the terminology matters

Treating ETA and search funds as synonyms creates two analytical errors. First, it understates the range of ways an entrepreneur can buy a company. Second, it can cause deal terms that belong to one financing model to be mistaken for universal features of acquisition entrepreneurship. Search capital, investor step-ups, manager-equity vesting and a multi-investor board are features commonly associated with the traditional funded model; they are not prerequisites for ETA itself. The broader category should therefore be kept conceptually separate from the legal and economic structure chosen to implement it.

ETA WITHOUT BORDERS

ETA travels more easily than any single financing template. The entrepreneurial objective, to acquire and lead an existing company, is portable across borders, but the capital, governance, tax and financing structures used to achieve it remain jurisdiction-specific. IESE now tracks the model in 48 countries, with wide regional variation. A U.S. traditional-search template is not a legal blueprint for France, Germany, Spain, the UK or another European market. (Naranjo et al., 2026)

KEY TAKEAWAYS

- ETA describes an entrepreneurial objective: acquire an existing company and become responsible for leading it.
- A traditional search fund is one financing and governance architecture within ETA, not a synonym for ETA.
- Buying rather than building changes the risk profile: the entrepreneur inherits customers, people, contracts, systems and history rather than starting from zero.
- The choice of model determines when capital is raised, who bears search risk, how governance works and how much ownership and autonomy the entrepreneur may retain.

CHAPTER 3

THE DIFFERENT ROADS TO ETA

Once an entrepreneur decides to buy rather than build, a second decision becomes just as important as the target itself: what ownership and financing architecture should be used to pursue the acquisition?

There is no single universally accepted taxonomy. Stanford has long distinguished funded, self-funded and sponsored searches; Yale documents a wider family that includes accelerators, single-sponsor structures and holding companies; and the 2026 Stanford research now separately tracks long-duration enterprises. (Ellis & Wismer, 2009; Rice & Wasserstein, 2021; Kelly et al., 2026)

3.1 The traditional funded search: exchange some autonomy for an investor ecosystem

In a traditional search fund, outside investors finance a dedicated search before a target has been identified. The searcher can therefore work full time, draw a salary and build a systematic sourcing process without bearing the full cost personally. If a company is found, the same investors generally have the right, but not the obligation, to provide acquisition equity, and a subset often remains involved through the board after closing. (Rice & Wasserstein, 2021; Kelly et al., 2026)

The bargain is deliberate. The entrepreneur receives capital, credibility, mentorship and access to experienced deal and operating advisers, but accepts more structured economics, governance and reporting. The traditional model tends to suit a searcher who values an aligned investor network and wants capacity to pursue a larger acquisition than personal resources alone would permit. Chapter 4 explains this model in detail.

3.2 The self-funded search: finance the search yourself, not necessarily the acquisition

"Self-funded" is frequently misunderstood. It usually describes who pays for the search period, not a requirement that the entrepreneur personally finance 100% of the eventual purchase. A self-funded searcher bears the cost of sourcing and broken deals, normally without a search salary, but may later combine personal equity with bank debt, seller financing and outside equity once a specific target is underwritten. (Rice & Wasserstein, 2021; Hodgkin, 2016)

The model can offer greater discretion over geography, target size, pacing and post-closing control. The trade-off is that the searcher assumes more financial exposure and does not automatically inherit the advisory network of a traditional investor group. In Europe, that trade-off is especially jurisdiction-dependent: acquisition leverage, personal guarantees, seller financing norms and available government-backed lending differ materially by country. U.S. self-funded conventions should therefore not be imported mechanically into a pan-European search.

3.3 Sponsored search and the entrepreneur-in-residence model

A sponsored search places a single institution, or a small sponsor group, behind the entrepreneur. The sponsor may fund the search, provide committed or readily available acquisition capital, supply sourcing and diligence infrastructure, and remain closely involved after the transaction. In an entrepreneur-in-residence (EIR) variation, the future operator searches from within an investment organisation rather than first assembling an independent syndicate.

Compared with a traditional fund, the strongest advantage can be execution certainty: a seller may take comfort from a recognisable capital provider with an established decision process. The counterweight is concentration. The entrepreneur becomes more dependent on one sponsor's investment mandate, risk appetite, governance style and economics. The term "sponsored search" covers a spectrum, so the real question is not the label but how much capital is committed, who controls investment approval and what ownership the operator can ultimately earn. (Ellis & Wismer, 2009; Rice & Wasserstein, 2021)

3.4 Accelerator-backed search: capital plus a repeatable operating system

Search-fund accelerators combine financial backing with a structured programme. In addition to funding the search, an accelerator may provide training, CRM and sourcing tools, lender and adviser relationships, diligence support, peer cohorts and post-acquisition board assistance. Yale's review emphasises the value of both operational infrastructure and the cohort effect: search can be psychologically isolating, and a group of peers can provide information and emotional support alongside capital. (Rice & Wasserstein, 2021)

Accelerator and sponsored structures can overlap. A programme may also be the principal source of acquisition equity, while another accelerator may syndicate capital more broadly. The useful distinction is organisational: an accelerator is a repeatable platform designed to support multiple searchers, whereas a single-sponsor model is primarily a bilateral capital-and-governance relationship.

3.5 Direct acquisition: raise around a deal rather than around a search

Not every acquisition entrepreneur creates a formal search vehicle. A buyer may identify an opportunity first and raise equity only once a credible transaction exists, or may pursue a company using personal capital, debt, seller financing and a small group of co-investors. This "direct acquisition" category overlaps with self-funded search and independent-sponsor practice; it is included here because it describes a materially different sequence of commitments. Investors underwrite an identified company rather than initially underwriting an entrepreneur to go looking for one.

The direct route can reduce search-stage governance and fundraising, but it places more pressure on the entrepreneur's own sourcing network, financial runway and ability to assemble capital within a transaction timetable. It can be attractive to mid-career operators or sector specialists who encounter a specific succession opportunity rather than beginning with an open-ended search thesis.

3.6 Long-duration enterprises and holding companies: design for compounding

A long-duration enterprise (LDE) or holding-company strategy changes the intended ownership horizon. Rather than acquire one company with an eventual liquidity event as the default endpoint, the entrepreneur may seek to own for decades, reinvest free cash flow and, in some structures, acquire additional operating businesses. The entrepreneur's role can gradually shift from day-to-day operator toward capital allocator and group leader. (Rice & Wasserstein, 2021)

This model has become sufficiently important to measure separately. Stanford's 2026 Search Fund Study introduced a distinct dataset covering 67 long-duration enterprises, signalling that what was once treated as an "alternative" structure has become a visible branch of the ETA ecosystem. (Kelly, Zenios & Ng, 2026)

DID YOU KNOW?

Stanford's 2026 Search Fund Study separately identifies 67 long-duration enterprises for the first time. The change in reporting is itself evidence that ETA structures are evolving beyond the classic one-company, eventual-exit template.

3.7 Choosing the route: solve for fit, not for fashion

The relevant decision is not which model is "best" in the abstract. Rice and Wasserstein (2021) argue that the proliferation of structures allows entrepreneurs to choose a vehicle that better matches their goals. Six questions help before selecting a model:

1. **Financial runway**: can the entrepreneur absorb a long search and broken-deal costs personally?
2. **Control**: how much economic ownership and governance discretion does the entrepreneur want to retain?
3. **Target ambition**: what enterprise size and capital requirement are realistic?
4. **Support**: how much value would experienced investors, a board or an institutional platform add?
5. **Geography**: will local debt markets, investor regulation or seller expectations favour one structure?
6. **Ownership horizon**: is the objective one company and an eventual exit, or a long-duration compounding platform?

Figure 3.1 · ETA structures as a spectrum between entrepreneur autonomy and institutional support



Sources: Ellis & Wismer (2009); Rice & Wasserstein (2021); Hodgkin (2016); Kelly et al. (2026).

Table 3.1 · A practical comparison of the principal ETA structures

Model	Who funds the search?	Acquisition capital	Control / governance	Principal strength	Principal trade-off
Traditional funded	Investor syndicate	Existing investors + new equity + debt	Shared; board-led governance	Mentorship, credibility and larger capital base	Structured economics and investor oversight
Self-funded	Entrepreneur	Personal + debt + seller + outside equity as needed	Usually more entrepreneur-led	Flexibility and potential for higher ownership	Personal runway and weaker built-in support
Sponsored / EIR	Sponsor / institution	Sponsor or committed pool + debt	Sponsor influence typically high	Execution certainty and infrastructure	Dependence on one sponsor / mandate
Accelerator	Accelerator / programme	Accelerator and/or syndicate + debt	Programme-specific	Training, tools, cohort and repeatability	Less bespoke; economics vary by platform
Direct acquisition	Entrepreneur until deal	Raised around identified target + debt / seller	Deal-specific	No need to raise a blind search pool	Capital assembled on the transaction clock
LDE / HoldCo	Founder + long-duration capital	Long-duration equity + debt; recycled cash flow	Designed for enduring ownership	Compounding and multi-decade horizon	More complex capital allocation and governance

Sources: Ellis & Wismer (2009); Kelly et al. (2026); Rice & Wasserstein (2021); Hodgkin (2016).

ETA WITHOUT BORDERS

Model labels travel more easily than their economics. A "self-funded" search in France, a sponsored search in Spain and a UK EIR may face very different debt markets, investor-protection rules, tax outcomes and seller expectations. A self-funded buyer acquiring locally may need a far simpler structure than a traditional searcher with investors in six countries. Vehicle choice should follow the target geography and capital plan, not precede them. Chapters 6 and 7 return to the legal, regulatory and tax consequences.

KEY TAKEAWAYS

- The labels overlap: compare models on control, capital and support.
- Self-funded describes the search period, not necessarily a 100% personally financed acquisition.
- Sponsored and accelerator routes trade some independence for committed capital, infrastructure and execution support.
- Long-duration enterprises design for compounding rather than treating exit as the default endpoint.
- The right model depends on runway, control, target size, support needs, geography and horizon.

PANEL 1 · CHOOSING THE RIGHT PATH TO OWNERSHIP

MARC BARTOMEUS

MODERATOR

Seat
Full-cycle searcher, exited CEO and investor.

Background
Founded Ariol Capital, identified by IESE as Spain's first search fund. Acquired Repli (Spain) and Pentapackaging (Italy), led them as CEO and sold them to a strategic buyer in 2020. Earlier: lower-middle-market private equity in Boston; commercial roles at Promax Electronics, Agilent Technologies and Hewlett-Packard. Co-founder of Albira Investments. Industrial engineering (UPC); MBA (MIT Sloan).

Focus
What is easy to promise at formation and hard to live with as CEO.

BRUNO LUCAS

FOUNDER, HEXAGON TRANSMISSION CAPITAL

Seat
Solo, investor-backed search in France.

Background
Fifteen investors committed EUR 384,100 of search capital before a target was identified, to acquire and personally lead one French SME with no forced resale horizon. Previously led an ALTEN business unit of 60+ engineers and about EUR 6m of P&L; INSEAD MBA; more than ten strategy and transformation assignments at McKinsey.

Focus
Funded search as a decision-quality and credibility mechanism; the case for searching alone.

GUILLAUME DE BRAQUILANGES

CO-FOUNDER, ORHATA CAPITAL PARTNERS

Seat
Dual searcher in France.

Background
More than twenty years of international finance and operating experience in CFO and COO roles, spanning M&A, integration, corporate finance and asset management. Co-founded Orhata with Pierre Bondroit, a friend of roughly thirty years, to acquire, lead and develop a French SME over the long term.

Focus
The governance two partners must agree before they share an acquisition and a CEO mandate.

CÉSAR ORTIZ SOTELO

INFRASTRUCTURE EXECUTIVE & ENTREPRENEUR

Seat
Project-led and greenfield ownership.

Background
About three decades across energy, utilities and infrastructure, with roles at Shell, Alstom and ENGIE / GDF SUEZ in Europe, Latin America and Asia. Engineering degree from the University of Glasgow; INSEAD MBA.

Focus
Entrepreneurial ownership beyond the conventional SME, where early value sits in permits, land and contracts rather than stable EBITDA.

CHRISTOPHER TOURNIS GAMBLE

MANAGING PARTNER, WAD CAPITAL PARTNERS

Seat
Platform investor.

Background
Co-founder of WAD Capital Partners, a Belgian fund cornerstoned by the European Investment Fund. WAD targets companies within 300 km of Brussels and aims to develop 1,000 CEOs-in-Residence over seven years with a core team of no more than 20. Previously at SIMA Ventures.

Focus
Reversing the private-equity sequence: recruit the CEO first, commit equity, then acquire.

WHICH ROAD, FOR WHOM?

> **"Preserve the economic logic, then redesign the structure around the person, the asset, the country and the post-close reality."**
>
> PANEL THESIS · MODERATOR BRIEF

~150,000
European companies that fail to transition ownership each year

~30,000
of these addressable by the core search methodology over ten years

Estimates cited during Panel 1.

THE TRADITIONAL MODEL, AS DESCRIBED ON STAGE

- Searchers raise search capital from an investor syndicate, which receives an option, not an obligation, to fund the acquisition equity.
- Because the model is established worldwide, investor conversations focus on the searcher and the project rather than on defending the model.
- Searchers typically earn a common-equity carry pool of 25–30%.
- Specialist funds of funds bring pattern recognition from many deals; former entrepreneurs bring operator coaching.

THE PLATFORM MODEL (WAD CAPITAL PARTNERS)

- Reverses the private-equity sequence: recruit the CEO first, secure pre-committed equity, acquire, with the fund retaining control.
- Searchers draw on knowledge from ten completed platform acquisitions; start-to-close averages six to nine months, with committed acquisition funding.
- Searchers receive a baseline 20% common-equity stake at no capital cost and may co-invest for an additional 5% preferred stake with a 1.5x liquidation preference. Once milestones are met, net equity approaches traditional-fund levels.
- Targets a 35% IRR at fund level and 43% at deal level. A three-month process screened 2,500 profiles to select 25 in-house operators.
- Selection looks for a "right to win": operating experience in the geography or sector of the thesis. Candidates are expected to see the role as their final major career step.

THE INFRASTRUCTURE AND REGULATED-ASSET MODEL

- Long-horizon regulated assets (transport, power capacity, energy, data centres, AI infrastructure) with regular, contracted revenue; strict geographic and sector specialisation.
- At development stage, family offices fund permitted or pre-conceived projects and absorb permitting, regulatory, financing and construction risk, requiring returns of at least 20%; equity cheques average around €10m.
- Once a project reaches commercial operation, developers and institutional infrastructure funds step in with long-term equity and shareholder debt.

Solo or duo? The trade-offs discussed on stage

	Solo search	Duo search
Economics	Keeps 100% of the searcher equity pool	Splits the carry between two partners
Target size	Lower overhead; can bid competitively below €2m EBITDA	Larger budget; tends to need more than €2m EBITDA to support two executive salaries
Governance	No risk of co-founder deadlock over a six- to ten-year operating period	Requires deep personal trust; Guillaume relies on a relationship of about 30 years
Capacity	Risk of isolation during the search	Doubles screening capacity; mutual support when deals fail
Skill gaps	Recruit a CFO or CRO after closing, once needs are known	Combine complementary skills from day one

WAD addresses solo isolation with a cohort model: searchers start together and meet two days a week in Brussels to work through common search problems.

FULL TIME, OR NOT AT ALL

The panel was unanimous. Guillaume sees full-time commitment as the only way to avoid regret. Bruno called part-time search technically possible but strongly discouraged it: deal quality rises with the volume screened, and sellers recognise partial effort. Christopher described entrepreneurship as a lifestyle: owners selling a life's work will not accept a buyer treating it as a side project.

TARGETS, CREDIBILITY AND TRANSITION

WHAT A TARGET LOOKS LIKE

- **Bruno Lucas** targets €1–5m EBITDA. Staying below €5m avoids direct competition with private equity and the multiples that come with it; staying above €1m avoids unstructured, founder-dependent businesses with high transferability risk. He would rather own 20–25% of a strong value-creating business than a majority of a struggling one.
- **WAD** applies the same €1–5m EBITDA band and requires fit with the individual searcher's thesis. The founder is expected to stay on after closing for knowledge transfer, so the model avoids distressed situations and companies whose owner has died.
- **Buy-and-build** is planned for about 20% of WAD's acquisitions and requires an operator with integration experience: small companies have little capacity to absorb compensation mistakes or margin slippage.

WHY INVESTOR BACKING MATTERS TO A SELLER

- It reassures owners that the equity is secured and the deal can actually be funded.
- It validates younger searchers: a 34-year-old presenting to a 65-year-old founder can point to 15 professional investors whose job is to assess talent.
- Brokers began approaching WAD with better deal flow after several closings, but self-origination still matters because entry price drives long-term returns and intermediaries add competitive tension.

BOARDS AND THE FOUNDER HAND-OVER (WAD)

- Each board aims to combine a former searcher or operator three to four career steps ahead of the new CEO, a deep sector specialist and an expert in professionalising systems. Supporting 1,000 searchers at five members per board would require about 5,000 board members.
- The transition plan is written before closing; employees are told in the first week; the searcher becomes the sole point of contact and the founder moves strictly into an advisory role.
- Transactions are funded entirely with equity, without vendor loans. The founder reinvests 50% of the equity, and a five-year call option lets the fund and searcher buy the remainder.
- Searchers see the role as part of a 15-year career path, with operating cycles of roughly five to seven years per ownership phase.

GREEN-TRANSITION RISK

Capital for environmental and transition needs can come from climate funds and national support schemes. Risk depends on the project: grid-connected or standalone, access to low-carbon power for a data centre, or merchant-price exposure for smaller renewables.

THE REAL BOTTLENECK

Capital is abundant and the supply of businesses is high. The binding constraint in Europe is qualified, committed operators. No candidate has every skill at the start, so searchers should design their cap table to cover their gaps, study the models and their own motivations, and talk widely to former searchers, operators and investors.

Where the reference model fits, and where it strains

Strong fit	A profitable, cash-generative SME with recurring demand, a realistic transition, financing capacity and complexity that matches the incoming CEO.
Structural strain	A turnaround, capital-intensive asset, weak management bench, concentrated customers, uncertain cash flow, or a project whose value still depends on permits, contracts and construction.
Entrepreneur strain	Target size beyond personal capital, a duo without clear complementarity, or an experienced operator whose governance needs differ from a first-time CEO's.
Jurisdiction strain	A market where preferred equity, security rights, senior debt, tax, employment rules or seller expectations differ materially from the U.S. template.

Source: Panel 1 moderator brief, drawing on Stanford's 2021 Primer and IESE (2024).

QUESTIONS TO ASK YOURSELF

- What am I optimising: capital, control, credibility, capability, risk or speed?
- What problem must a second searcher solve to justify the lost economics and added governance?
- Should a partnership be designed around a two-year search or the operating decade that follows?
- Do I want the highest ownership percentage, or the highest expected value of my stake?
- Which cap-table term looks harmless at acquisition and becomes decisive five years later?

CHAPTER 4

THE TRADITIONAL SEARCH FUND: FROM INVESTOR TO EXIT

A traditional search fund raises money in stages, each conditional on the last.

Investors first provide a relatively small pool of search capital to finance the entrepreneur's search. Only after a specific company is identified do they evaluate the much larger acquisition investment. The searcher then crosses a second threshold: from prospective buyer to owner-operator. (Kelly et al., 2026; Kowalewski et al., 2024)

4.1 Stage 1: raise search capital before a target exists

A traditional search begins with the entrepreneur rather than the asset. One or two searchers raise a pool of capital from a group of aligned investors to support a full-time search. Search capital typically pays the searcher's salary and funds research, travel, sourcing tools, legal and administrative costs, and the expenses associated with evaluating opportunities that may never close. The economic terms of that capital are discussed in Chapter 5; the important point here is sequencing: investors are initially underwriting the people, the process and the opportunity set, not a known company.

Stanford's 2026 study shows how institutionalised this first stage has become in North America. Searchers in the 2024–25 cohort typically spent about three months fundraising, raising a median of approximately US$550,000 per principal from a median of 13 investors. (Kelly, Zenios & Ng, 2026)

4.2 Stage 2: search, source and build seller conviction

Once the search capital is in place, the search begins in earnest. The searcher develops investment criteria, researches industries, builds lists of potential targets, approaches owners and intermediaries, screens opportunities, and progressively concentrates time on the small number of businesses that merit deeper work. The process is both analytical and relational: a company can satisfy the financial criteria and still be unavailable if the owner is unwilling to sell, unconvinced by the buyer, or uncomfortable with the proposed transition.

The output of this phase is not merely a pipeline; it is the identification of a business that the searcher is willing to lead and investors may be willing to finance. A credible opportunity normally progresses through indicative valuation, management or owner meetings, a letter of intent or heads of terms, exclusivity and confirmatory due diligence. Chapter 9 addresses sourcing in detail and Chapter 10 follows the transaction from LOI to closing.

DID YOU KNOW?

The search is measured in years, not weeks. Stanford's 2026 study reports roughly 20 months from the start of search to deal close across acquisitions, with a 21-month median for the 2024–25 cohort. IESE's 2024 international dataset also reports a 21-month median. The similarity is striking despite very different national markets. (Kelly, Zenios & Ng, 2026; Kowalewski et al., 2024)

4.3 Stage 3: underwrite the company and raise acquisition capital

A signed LOI changes the nature of the project. The searcher is no longer asking whether there might be a suitable company; the question becomes whether this specific business can be bought at an acceptable price, financed prudently and operated successfully. Commercial, financial, legal, tax and operational diligence test the thesis while the parties negotiate definitive transaction terms.

At the same time, acquisition capital must be assembled. This is a second and much larger capital decision. In the traditional model, initial search investors generally have the right, but not the obligation, to invest additional equity in the acquisition, and other investors may join the syndicate. Debt and seller financing may complement the equity depending on the company and local financing market. This second underwriting gate is central to the model: an investor can support the entrepreneur's search without being forced to finance a target that fails to satisfy the investor's acquisition criteria. (Rice & Wasserstein, 2021; Kelly et al., 2026)

ETA WITHOUT BORDERS

The lifecycle travels; the execution does not. A French searcher with investors in several countries may identify a German target and finance it with local debt through an acquisition vehicle established for the transaction. Search fundraising, acquisition underwriting, regulatory review, tax structuring, foreign-investment screening, currency and signing/closing mechanics can therefore involve different jurisdictions at different stages. Cross-border complexity should be built into the timetable before exclusivity is signed, not discovered at closing.

4.4 Stage 4: close the transaction and become the operator

Closing is the model's most consequential role transition. Before closing, the entrepreneur is primarily a fundraiser, researcher, negotiator and buyer. Immediately after closing, the searcher becomes the operating leader of a company with employees, customers, suppliers and an inherited culture. In the core model, this usually means taking the CEO role and holding a meaningful equity interest while experienced investors or independent directors form the board and support governance. (Kelly et al., 2026; Kowalewski et al., 2024)

The handover from seller to new CEO is therefore part of the acquisition, not an administrative afterthought. Communication, continuity and the seller's transition role can materially affect employee confidence and customer relationships. The 2026 Stanford Primer devotes a distinct part of the model to the transition from ownership transfer into management, underscoring that the searcher's job fundamentally changes at closing. (Kelly et al., 2026)

4.5 Stage 5: operate, govern and create value

Operating is generally the longest stage of the search-fund lifecycle. IESE describes it as the period in which the entrepreneur leads and grows the acquired company, commonly over five to ten years. Most of the economic and organisational value is created here: improving commercial execution, building the management team, professionalising systems, allocating capital, strengthening governance and, where appropriate, pursuing new products, geographies or add-on acquisitions. (Kowalewski et al., 2024)

The board matters because the searcher is often a first-time CEO. The traditional model pairs entrepreneurial control with experienced oversight. Investors who were initially capital providers can become directors, mentors and sounding boards, while the CEO retains direct accountability for the operating business.

4.6 Stage 6: liquidity, recapitalisation or continued ownership

The final stage is often described as the exit, but a sale is not the only possible outcome. A company may be sold to a strategic or financial buyer, recapitalised to return capital while the entrepreneur remains involved, partially sold with rollover equity, or held for longer if the company continues to compound attractively and investor objectives remain aligned. The important distinction is that liquidity is a later ownership decision; it is not the entrepreneurial purpose of the search itself.

FROM THE STAGE · PANEL 3

Investors described search capital of roughly €500,000 per searcher as the highest-risk stage of the model. By the acquisition decision, risk is lower: investors have typically watched the searcher for about two years and understand the searcher–seller fit. Most operational value is created in the five to seven years of management after closing, not during the search.

Figure 4.1 · The traditional search-fund lifecycle: six linked decision gates



Sources: Kelly et al. (2026); Kelly, Zenios & Ng (2026); Kowalewski et al. (2024).

Table 4.1 · How the object of underwriting changes through the lifecycle

Stage	What is being underwritten?	Capital / commitment	Gate to the next stage
1. Search capital	Searcher(s), process and search strategy	Relatively small search budget	Fund closes and full-time search begins
2. Search	Industries, opportunities and seller fit	Search budget is consumed	A credible target reaches LOI / exclusivity
3. Acquisition	Specific company, price, diligence and financing	Acquisition equity + debt / seller financing	Investment approvals and definitive documents
4. Closing	Ability to transfer ownership and leadership	Transaction capital is funded	Control transfers; searcher becomes operator
5. Operations	CEO execution, governance and company performance	Reinvestment / follow-on capital as needed	Sustainable value creation and strategic options
6. Liquidity / hold	Value of continuing versus realising the investment	Sale, recapitalisation or continued ownership	Capital returned, rolled or kept invested

Source: adapted from IESE (2024).

✓ KEY TAKEAWAYS

- A traditional search fund contains two distinct capital decisions: finance the search first; finance the company only after a target is identified and underwritten.
- The search is a full-time acquisition process, typically lasting around 20–21 months from launch to close for successful acquisitions.
- Closing changes the searcher's role immediately from buyer to owner-operator; the operating phase is usually the longest part of the lifecycle.
- Investors do more than provide capital: the model combines staged underwriting with post-acquisition governance, mentorship and board support.

FIVE PLACES, ONE LIFECYCLE

Where the searcher lives, where the vehicle sits, where investors reside and where the target is located may all differ. The lifecycle is the same; the legal and tax execution may not be.

CHAPTER 5

FOLLOW THE MONEY

The economics of a traditional search fund are designed around an unusual asymmetry: investors commit financial capital before an asset exists, and the entrepreneur commits years of human capital before knowing whether a company will be acquired.

If a transaction closes, the project must then reward both the investors who funded the risk and the operator who will create much of the value. The result is a sequence of economic claims layered through the search, acquisition and ownership periods. (Kelly et al., 2026; Rilling et al., 2023)

5.1 Search capital: the first, riskiest cheque

Search capital pays for the period in which there is no identified company and therefore no operating cash flow to support the project. Typical uses include the searcher's salary, interns, sourcing systems, travel, professional fees and diligence or broken-deal costs. Economically, this capital is unusually risky because a search can end without an acquisition. Investors are therefore compensated not only through potential future ownership, but also through preferential rights if a deal is eventually found. (Rilling et al., 2023; Goel et al., 2023)

One common mechanism is the "step-up": search capital is credited into the acquisition at more than its original cash amount. Yale's 2023 European reference guide describes a 50% step-up as the then-prevailing convention and couples it with a pro-rata right to invest in the acquisition. This should be treated as a documented market convention, not a universal rule; Stanford's 2026 Primer notes that deal terms continue to evolve and vary across the ecosystem. (Rilling et al., 2023; Kelly et al., 2026)

WORKED EXAMPLE: HOW A 50% STEP-UP WORKS

Assume investors provide €400,000 of search capital and the agreed step-up is 1.5x. At acquisition, that €400,000 is credited as €600,000 of invested value, even though no additional €200,000 of cash is wired for the step-up itself.

If the acquisition requires €4.0 million of total equity, the stepped-up search capital represents 15% of the equity credit. The €200,000 step-up premium alone is equivalent to 5% of that €4.0 million requirement. Actual ownership depends on the full capital structure, preferences, searcher equity and any option pool.

5.2 Acquisition capital: a second and much larger underwriting decision

Once a target reaches a financeable stage, the funding problem changes. The acquisition must cover the purchase price, transaction costs, refinancing needs and any minimum cash retained in the company. Sources may include investor equity, senior debt, seller notes, deferred consideration or a seller rollover. Search-stage investors often participate, but they are not automatically required to do so; new investors may also enter when additional equity is needed. (Rilling et al., 2023)

This is why search capital and acquisition capital should never be conflated. Search capital is primarily a bet on the entrepreneur and process. Acquisition capital is an underwriting of a specific company, purchase price, capital structure and operating plan. The first cheque earns access and preferential rights; the second cheque funds the asset.

5.3 Investor securities and the waterfall: priority before participation

At closing, investors do not necessarily hold the same instrument as the searcher. The 2023 Yale European guide observes that stepped-up search capital and acquisition capital often share the same preferential economics, implemented through instruments such as preferred equity or shareholder loans depending on local law. It describes a participating 1x liquidation preference as the European search-fund convention in its sample: investor capital, including the credited step-up and any accrued preferred return, is serviced before residual proceeds are divided through the common-equity waterfall. (Rilling et al., 2023)

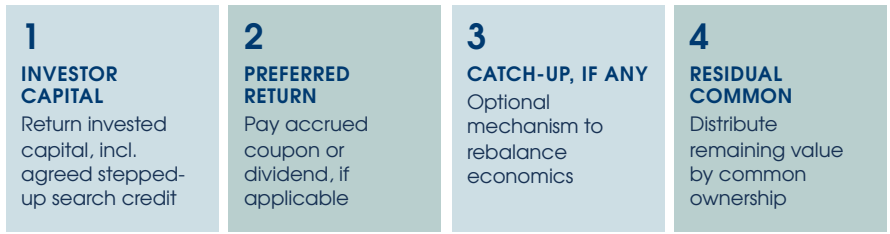
A preferred coupon or dividend, where used, further changes the allocation of value over time. Some structures include a searcher "catch-up" after the investor preference has been met; others do not. Goel et al. (2023) emphasise that these details materially affect the entrepreneur's residual payoff. The practical lesson is simple: an ownership percentage on a cap table is not the same thing as an equal percentage of every euro distributed.

Figure 5.1 · Two pools of capital converge at the acquisition

Search stage		Acquisition stage		Post-close
Search investors	→	Stepped-up search credit	→	Investor security / cap table
Searcher time + salary	→	New acquisition equity + debt	→	Searcher vested equity + CEO salary
No target; high uncertainty		Specific company underwritten		Cash flow, debt paydown, growth and distributions

Sources: Kelly et al. (2026); Rilling et al. (2023).

Figure 5.2 · Distribution waterfall at a liquidity event



Priority, coupon, catch-up and instrument design vary by transaction and jurisdiction. Source: Rilling et al. (2023); Goel et al. (2023).

5.4 Searcher equity: ownership is earned, not simply granted

The searcher's main long-term economic reward is equity in a company they did not found and may have invested relatively little cash to acquire. Vesting is therefore the principal alignment mechanism. In the 2023 European reference guide, a solo searcher was typically eligible to earn up to 25% of common equity and a partnered search up to 30%, commonly divided into three tranches: one at acquisition, one vesting over four to five years, and one linked to investor performance. (Rilling et al., 2023) Goel et al. (2023) use the same architecture for their pedagogical model.

Vesting terms vary by transaction. Incentive design has been debated for years, including whether time-based vesting and IRR-only performance measures create the right behaviour. (Johnson & Simon, 2017) Whatever the exact percentages, ownership is earned for completing the acquisition, staying to lead the business and creating attractive outcomes for the capital providers.

FROM THE STAGE · PANEL 3: THE THREE TRANCHES

Under the standard model described on stage, a 25% carry pool splits into three tranches of about 8.33% each:

- **Acquisition tranche**: vests at closing.
- **Time tranche**: vests linearly over four years of continuous executive service.
- **Performance tranche**: vests on realised exit IRR: nothing below 20%, all above 35%, linear in between. An IRR of 27.5% vests half.

Some distribution waterfalls add catch-up provisions during the payout phase.

5.5 The cap table is dynamic: dilution, option pools and follow-on capital

A closing cap table is only a starting point. Employee or management option pools, follow-on acquisitions, growth capital and rescue capital can all change ownership over time. Search-fund documentation therefore commonly addresses pro-rata or pre-emption rights, new issuances and the treatment of unvested searcher shares. For the entrepreneur, the relevant concept is fully diluted ownership, not simply the headline percentage shown on day one. (Rilling et al., 2023)

The same reasoning applies to leverage. Debt can reduce the initial equity cheque and amplify equity returns when the company performs, but it also creates fixed claims on cash flow and can reduce strategic flexibility. Seller financing and rollover equity may align the outgoing owner with the new regime, but they also create another stakeholder whose rights must be understood. Economics and governance cannot therefore be separated cleanly.

Table 5.1 · Who contributes what, and what they are economically paid for

Participant	Primary contribution	Principal risk	Typical economic claim	Why it exists
Search investor	Early capital + advice	No acquisition is completed	Step-up / acquisition rights; later investor security	Compensate high-risk search-stage capital
Acquisition investor	Equity for identified target	Company / price / execution risk	Preferred or equity-like security + common participation	Fund purchase and align long-term ownership
Lender	Debt capital	Credit and covenant risk	Interest, fees, principal repayment, security	Reduce equity need while imposing cash-flow discipline
Seller financier / rollover	Deferred price or retained equity	Buyer / company performance	Interest, deferred proceeds or continuing equity	Bridge valuation / financing and support transition
Searcher-CEO	Human capital, leadership and often modest cash	Career concentration + execution risk	Salary + vested common equity	Align operator with long-term value creation

Sources: Stanford GSB (2026); Rilling et al. (2023); Goel et al. (2023).

ETA WITHOUT BORDERS

The economics can be equivalent but legally different across countries. A preferred-equity concept may be implemented through preferred shares, shareholder loans or another local instrument; the roll-in of search capital and its step-up must also work under the target jurisdiction's corporate and tax law.

Cross-border investors add currency, withholding, tax-residence and sometimes regulatory layers. The economics may look identical on a cap table while producing different net outcomes across investors. A "standard" U.S. or Spanish term sheet should be translated economically before it is translated legally.

KEY TAKEAWAYS

- Search capital and acquisition capital are separate pools with different underwriting risks.
- A step-up compensates early investors for search-stage risk; check the convention for the relevant vintage and geography.
- Investor preferences mean headline ownership does not by itself determine how exit proceeds are distributed.
- Searcher equity is earned through acquisition, continued leadership and performance.
- Debt, seller financing, option pools and follow-on capital can change the economics after closing.
- Across borders, preserve the economic intent while adapting the legal instrument to local law and tax.

THE CAPITAL STACK, INSTRUMENT BY INSTRUMENT

These distinctions describe economic functions, not jurisdiction-specific drafting. Counsel and lenders determine the actual instruments, priority and enforceability in each transaction.

Equity variants

Instrument	Economic function	Question it creates
Manager common equity	Gives the entrepreneur upside after investor preferences, subject to vesting	Does vesting reward value creation or encourage avoidable risk?
Investor preferred equity	Places investor capital ahead of manager common; may carry a return	When does accretion create misalignment in a middling outcome?
Deal-by-deal common	Builds the cap table after a target is known	Does flexibility compensate for capital uncertainty?
Seller rollover	Keeps the seller exposed to future upside	What governance role and liquidity path does the seller keep?
Project SPV equity	Ring-fences ownership and risk around one project	Who controls as capital providers change?

Cap-table issues to settle early

- Who has the right, but not the obligation, to fund the acquisition, and how fast must each investor decide?
- What happens if initial investors decline but others will fund the same deal?
- Which decisions need entrepreneur, investor, board or co-searcher consent?
- How do vesting and good-/bad-leaver terms work if one member of a duo departs?
- Who funds add-ons, working capital, covenant cures or growth?
- What happens if the CEO wants to reinvest while some investors want liquidity?

Debt variants

Instrument	Repayment basis	Main tension
Senior cash-flow term debt	Operating cash flow and covenants	Debt capacity and covenant headroom vs equity dilution
Asset-based lending	Receivables, inventory or other eligible collateral	Borrowing-base volatility and lender control
Unitranche / private credit	Single blended facility	Higher cost and tighter documentation
Mezzanine / subordinated	Cash flow behind senior lenders, higher return	Cost, intercreditor limits and refinancing risk
Project finance	Ring-fenced project cash flow and contracts	Bankability depends on construction, offtake and completion risk

Seller participation variants

Mechanism	Seller position	Distinction to preserve
Vendor loan	Fixed debt claim, usually junior to senior lenders	Seniority, security, payment blocks and enforcement must fit the bank package
Deferred consideration	Fixed price paid later	Delayed but not usually contingent on performance
Earn-out	Contingent price tied to agreed outcomes	Definitions, control and disputes matter more than the nominal amount
Seller rollover	Continuing equity holder	Seller retains upside, governance and liquidity exposure
Escrow / holdback	Part of price retained against claims	Risk allocation, not acquisition financing

Chapter 10 shows how a vendor loan and a bank package can collide.

PART II



LEGAL & CROSS-BORDER ARCHITECTURE

What the entrepreneur should understand before relying on counsel.

6 Legal Architecture 28

7 ETA Without Borders: a Pan-European Search 31

From the stage · Panel 2 35

LEGAL NOTE

Entity choice, securities and fund regulation, employment terms, acquisition mechanics and enforceability differ by jurisdiction. Searchers should use counsel experienced both in private M&A and in the search-fund model.

CHAPTER 6

LEGAL ARCHITECTURE: FROM SEARCH VEHICLE TO ACQUIRED COMPANY

A search fund is not held together by a single "fund document." Its economics are translated into a sequence of legal entities, contracts and approvals that change as the project moves from searching for a business to owning one.

Figure 6.1 · A simplified legal architecture from search to ownership



Sources: Stanford GSB (2026); Rilling et al. (2023). Each box may sit in a different country.

For the entrepreneur, the objective is not to become a transaction lawyer. It is to understand which document governs which relationship, which rights survive into the acquisition, and where commercial choices become legally binding. (Kelly et al., 2026; Rilling et al., 2023)

6.1 Two legal layers: the search and the acquisition

The traditional model normally begins with a search-stage vehicle that receives search capital and governs the relationship between the searcher and the initial investor group. When a target is identified, a second layer is created or activated for the acquisition: an acquisition holding company or bid vehicle raises the much larger equity and debt package and becomes the purchaser of the target. The precise entity architecture varies by country and transaction, but the distinction between "vehicle that funds the search" and "vehicle that buys the company" is conceptually useful. (Rilling et al., 2023)

This is why the search-stage cap table is not the final ownership structure. Step-up rights, acquisition subscriptions, searcher equity, debt, seller rollover and management incentives are implemented at, or reorganised for, the acquisition. The legal structure must therefore preserve the economics described in Chapter 5 while remaining workable under local corporate, tax and regulatory law.

6.2 The search-stage documents: agreeing the rules before there is a company

Before a target exists, the central legal question is how the searcher and investors will work together. The documents should turn the search budget, governance and economic promises into enforceable rights. Stanford's 2026 Primer includes updated legal templates, while Yale's European reference guide stresses that European documents are less standardised and should be adapted with local counsel. (Kelly et al., 2026; Rilling et al., 2023)

A searcher should be able to explain, without opening a legal document, how much capital has been committed, what expenses it may fund, what happens if the search is extended or abandoned, how the step-up works, which investors have rights to participate in an acquisition, how information is shared, and what restrictions apply to transfers or changes in control.

Table 6.1 · Core documents a searcher should recognise

Document / instrument	Where it appears	Principal purpose	What the searcher should understand
Constitutional / incorporation documents	Search vehicle; acquisition vehicle	Create the legal entity and its share classes, powers and governance	Who controls the entity; what securities can be issued; transfer and voting rules
Subscription / investment agreement	Search stage and acquisition	Records the investor's commitment, representations and subscription mechanics	Amount, instrument, conditions, investor rights and closing mechanics
Shareholders' / investment agreement	Search and/or post-acquisition	Allocates governance, information, transfer and economic rights among owners	Board rights, reserved matters, pre-emption, drag/tag and future issuances
Searcher service / employment agreement	Search stage; post-close CEO role	Defines duties, compensation, termination and sometimes restrictive covenants	What changes at acquisition; vesting and leaver interaction; local employment law
NDA / confidentiality agreement	Deal process	Protects confidential information exchanged with the seller	Permitted use, disclosure, duration, standstill or non-solicit if included
LOI / Heads of Terms	Pre-diligence / pre-SPA	Records headline commercial terms and the transaction roadmap	Which provisions are binding: often confidentiality, exclusivity, costs and governing law
Share Purchase Agreement (SPA)	Signing / closing	Transfers the shares and allocates purchase-price and liability risk	Price mechanism, warranties, indemnities, conditions, liability limits and closing
Financing / security documents	Acquisition	Document debt, seller financing and the security package	Cash obligations, covenants, guarantees, security and default consequences

Sources: Kelly et al. (2026); Rilling et al. (2023); European private-M&A practice.

6.3 From first contact to signing: documents become progressively more binding

A deal process usually begins with documents intended to enable information exchange and establish a negotiation framework, then moves toward documents that allocate enforceable rights and risks. An NDA permits confidential discussions. An indicative offer or letter of intent records the proposed price, structure and principal commercial assumptions. Exclusivity may give the buyer a defined period to diligence and negotiate without the seller running a parallel process. The SPA then becomes the core acquisition contract.

The distinction between "non-binding" and "binding" deserves attention. An LOI may be non-binding as to whether the transaction must close, while particular clauses, such as confidentiality, exclusivity, costs, access, governing law or dispute provisions, can nevertheless be legally binding. The labels are less important than the operative wording and governing law.

Figure 6.2 · The legal document chain in a typical acquisition process



The order can change in auctions and where signing and closing are separated.

DID YOU KNOW?

European private-M&A terms are not uniform. In CMS's 2026 study of 601 transactions advised across Europe in 2025, 48% used a purchase-price adjustment, earn-outs appeared in 27%, W&I insurance in 23%, and arbitration in 44%. Among transactions without a purchase-price adjustment, 54% used a locked-box mechanism. "The standard SPA" is a myth: risk allocation is negotiated. (CMS, 2026)

6.4 What the SPA actually does

The Share Purchase Agreement is the principal contract for a share acquisition. It identifies what is being sold, fixes or determines the consideration, specifies when title transfers, records the seller's statements about the business, and allocates responsibility if those statements prove inaccurate or a specified risk materialises. It also governs what must happen between signing and closing when the two do not occur simultaneously.

For a non-lawyer, the SPA is easier to understand as a set of commercial questions: What exactly am I buying? How is the final price calculated? Which risks stay with the seller? Which risks move to the buyer? What must be true before closing? What can I claim if something is wrong, for how long, and subject to what limits? Where will disputes be resolved?

Important building blocks include the purchase-price mechanism (for example, locked box or completion accounts), deferred consideration or earn-outs, warranties and representations, disclosure, specific indemnities and tax covenants, de minimis and basket thresholds, liability caps and time limits, conditions precedent, interim operating covenants, restrictive covenants where enforceable, W&I insurance where used, and governing-law and dispute clauses.

6.5 The SPA is only one part of the closing set

At acquisition, several contractual systems operate simultaneously. The SPA governs buyer–seller risk allocation. The shareholders' or investment agreement governs the post-close owners. Management-equity documents govern the searcher's and other managers' vesting, transfer and leaver provisions. Debt documents govern repayment, covenants and security. Seller rollover or seller-financing documents create continuing economic relationships with the former owner. W&I insurance, transition-services arrangements and other ancillary documents may add further layers.

This matters because the same issue can appear in more than one document. A searcher's departure, for example, may affect an employment agreement, vesting terms, share-transfer provisions and board rights. A follow-on acquisition may require lender consent and investor approval. Good transaction management therefore depends on understanding the interaction between documents, not reading each document in isolation.

6.6 What changes in Europe? The economics may travel; the legal form may not

Search-fund economics often cross borders more easily than legal terminology. A preferred-return concept might be implemented through a preferred share, shareholder loan or another locally efficient instrument. Transfers of private-company shares may require country-specific corporate formalities. Employment protections, employee information or consultation processes, notarisation, registries, security perfection and tax mechanics can alter both timing and documentation. Rilling et al. (2023) therefore caution against assuming that U.S. documents can simply be translated for a European transaction.

ETA WITHOUT BORDERS

Separate the economic intent from the legal implementation. Write down the intended economics first (step-up, governance, vesting, investor priority, rollover and exit rights), then ask local counsel how those rights should be implemented in the jurisdictions of the search vehicle, acquisition vehicle and target.

For a cross-border deal, keep a document responsibility matrix: document, governing law, lead counsel, local counsel, tax input, required approvals and signing/closing dependency. It often prevents a late local-law issue from becoming a financing or closing issue.

KEY TAKEAWAYS

- A search fund uses two legal layers: documents for the search, and documents for the acquisition and ownership.
- Understand the commercial purpose of each document even when specialist counsel drafts it.
- An LOI can be partly binding; identify which provisions survive before the SPA is signed.
- The SPA allocates price and transaction risk; it is not an administrative transfer form.
- The SPA, shareholder agreement, management-equity and financing documents operate together after closing.
- Preserve the intended economics but adapt instruments, formalities and timetable to local law.

CHAPTER 7

ETA WITHOUT BORDERS: WHAT CHANGES IN A PAN-EUROPEAN SEARCH?

Cross-border ETA is not a domestic search with more flags on the cap table. When the searcher, investors, search vehicle, acquisition vehicle and target sit in different countries, several legal systems can become relevant at the same time.

Figure 7.1 · A cross-border search can connect five different legal maps

Searcher	Investors	Search vehicle	Acquisition vehicle	Target
Residence / work location	**France / Spain / Germany / UK / US**	**Country of incorporation + management**	**BidCo / HoldCo jurisdiction**	**Operating-company jurisdiction**
Personal tax; employment; immigration	Marketing; investor status; tax; KYC	Fund / securities status; governance; substance	Debt; equity; FDI; merger control; security	Corporate; tax; employees; licences

A single transaction can touch all five columns, and the analysis can change between fundraising and acquisition.

The central discipline is to separate five questions: who is raising capital, where investors are being approached, who will acquire control, where value will be taxed, and which jurisdiction regulates the target. The "best" jurisdiction is transaction-specific and can change with the searcher's residence, investor base, target geography, financing plan and eventual exit route.

7.1 One search, potentially five jurisdictional connections

A pan-European search can create distinct legal connections before an acquisition is even identified. The searcher has a residence and work location. The search vehicle has a place of incorporation and potentially a tax residence. Investors have their own domiciles and regulatory classifications. The acquisition vehicle may be established in the target country or elsewhere. Finally, the operating company is subject to the corporate, employment, tax and regulatory rules of its own jurisdiction.

None of these locations should be treated as interchangeable. A French-resident searcher using an EU search vehicle, raising from Spanish, German, British and U.S. investors, and later acquiring a German company may have to consider French personal and employment tax, EU and national fundraising rules, a separate UK marketing analysis, German acquisition law and FDI and merger rules, and the tax treatment of cash moving through the holding structure. Which country's rules matter? Potentially all of them.

7.2 Fundraising regulation: the label "search fund" is not the legal test

One of the first cross-border questions is whether the search-stage vehicle is treated as an Alternative Investment Fund (AIF) or another regulated collective-investment structure. Under the EU AIFMD, an AIF is broadly a collective investment undertaking that raises capital from a number of investors to invest it under a defined investment policy for their benefit. ESMA's guidance looks to substantive features such as whether the investment policy is fixed when commitments become binding and whether investors can enforce it. (European Parliament & Council, 2011/2026; ESMA, 2013)

That definition does not mean that every search vehicle is automatically an AIF. AIFMD contains exclusions, including for holding companies, and the particular facts of an entrepreneur-led acquisition structure may matter. Conversely, choosing a corporate form, calling the instrument a bond, or avoiding the word "fund" does not by itself remove a vehicle from the regime. In July 2026, the French AMF expressly warned that vehicles issuing bonds can still be AIFs where the substantive criteria are met. (AMF, 2026)

If the vehicle is an AIF, who markets it and where investors are located can trigger additional requirements. The current AIFMD framework provides a notification and passport mechanism for authorised EU AIFMs marketing EU AIFs to professional investors in other Member States; pre-marketing is also regulated. The 2024 AIFMD II amendments required Member States to apply most implementing measures from 16 April 2026, so country-specific implementation should be checked at the time of fundraising. (European Parliament & Council, 2024/2026)

The United Kingdom is now a separate marketing jurisdiction. EEA managers no longer rely on the EU passport to market AIFs in the UK; where the structure is an AIF, the FCA's National Private Placement Regime may be relevant. As of August 2026, the FCA is also consulting on a broader reform of the UK AIFM regime, with implementation currently envisaged for 2028. (FCA, 2026)

> **⚖ PRACTICAL QUESTION TO ASK COUNSEL**
>
> "If we contact this investor in this country with this term sheet, what legal act are we performing (pre-marketing, marketing, a private placement of corporate securities, or something else), and which person or entity is permitted to do it?" Resolve the answer before systematic fundraising starts, not after commitments are accepted.

7.3 Tax architecture: follow the cash, the people and the decision-making

Cross-border tax structuring should begin with cash flows rather than with a fashionable holding-company jurisdiction. Searchers should map where the searcher is tax resident, where the vehicle is actually managed, where the target earns profits, how acquisition debt is serviced, how dividends or interest move upstream, and where capital gains could arise at exit. The location of board and management decisions, local substance requirements, transfer pricing and permanent-establishment risk can be as important as the place of incorporation.

Within the EU, the Parent–Subsidiary Directive can reduce tax friction on qualifying distributions between eligible EU companies: the framework is designed to exempt qualifying subsidiary-to-parent profit distributions from withholding tax and reduce double taxation, generally subject to a 10% minimum holding and anti-abuse conditions. (European Commission, 2011/2015) It is not a blanket exemption: company eligibility, holding periods set by Member States, beneficial ownership, domestic anti-abuse rules and the actual structure all still matter. The UK is outside this EU directive framework, making bilateral treaties and domestic rules particularly important for UK-linked structures.

Other recurring questions include withholding on interest and dividends, interest deductibility and leverage limitations, tax treatment of shareholder loans, VAT on management or advisory services, tax on searcher equity and vesting, seller rollover, capital gains at exit and the availability of treaty relief. An economically attractive structure can be undermined if these issues are only addressed after the SPA has been negotiated.

7.4 Foreign-investment screening: who ultimately controls the buyer can matter

Foreign-direct-investment (FDI) screening has become a core execution question for transactions involving sensitive European businesses. National regimes differ, but they can look through intermediate entities to ultimate ownership and control. In France, for example, the Treasury states that the investor analysis includes the whole control chain. For sensitive French targets, acquisitions of control can be screened whether the foreign investor is EU or non-EU; a direct or indirect crossing of 25% of voting rights is also a trigger for non-EU/EEA investors, with a 10% threshold for listed French companies. (Direction générale du Trésor, 2024)

The EU framework is also changing. Updated EU foreign-investment screening rules were published in June 2026. They will require screening mechanisms in every Member State after an 18-month implementation period, establish a common minimum scope for sensitive sectors, and expressly extend coverage to certain EU-based investors that are ultimately controlled from outside the EU. (European Commission, 2026) Existing national screening regimes continue to matter during the transition.

DID YOU KNOW?

An EU-incorporated BidCo does not necessarily make a buyer "EU" for foreign-investment screening. The EU's 2026 revised framework expressly addresses indirect foreign investment and EU-based investors ultimately controlled by non-EU persons. For a search fund with internationally dispersed investors, ultimate-control rights can matter as much as the BidCo's registered office. (European Commission, 2026)

7.5 Merger control: small does not always mean unreviewable

Most search-fund acquisitions are far below EU-level merger thresholds, but that is not the end of the analysis. The European Commission notes that transactions below EU thresholds may still be reviewed under national merger-control rules, and referral mechanisms can move certain cases between national authorities and the Commission. (European Commission, 2026) National systems can use different turnover, transaction-value or market-share tests, so the target's size alone is not a reliable screening rule.

Investor ownership can also affect the analysis. Where a shareholder or sponsor has control, rather than a passive minority position, turnover or portfolio-company relationships may become relevant to competition filings. The practical solution is to complete a short merger-control and FDI screen before signing exclusivity or, at the latest, before the LOI assumptions harden into a closing timetable.

7.6 KYC, sanctions, employment and data: execution risks outside the SPA headline

Cross-border transactions also create operational legal workstreams that can affect timing. Banks, lenders, lawyers and corporate-service providers may require detailed KYC, ultimate-beneficial-owner and source-of-funds information across the investor chain. Sanctions screening can constrain capital sources or counterparties. Data rooms and cross-border diligence must respect privacy rules. Employment law, works councils or employee information and consultation obligations can affect when a transaction can sign or close, especially in jurisdictions with stronger employee participation rights. Sector licences and change-of-control approvals can create additional conditions precedent.

The searcher does not need to master each regime. The searcher does need to establish ownership information early, identify the target's regulated activities, and make regulatory and tax screening part of transaction planning rather than a final legal checklist.

Table 7.1 · Cross-border issue map: what to ask, when and of whom

Issue	Trigger question	Practical action before committing	Typical specialist
Fund / securities classification	What is the search vehicle and what are we offering investors?	Classify vehicle and instrument; document investor type and countries before outreach	Funds / regulatory counsel
Marketing / pre-marketing	Where is each investor located when approached?	Create country-by-country fundraising permissions and process	Funds / local regulatory counsel
Tax structure	Where are people, decisions, profits, debt service and distributions?	Model cash flows, withholding, residence, substance and exit before final BidCo design	International + local tax adviser
FDI screening	Is the target sensitive and who ultimately controls the buyer?	Map full ownership / control chain and obtain target-sector screen early	FDI / public-law counsel
Merger control	Do EU or national thresholds or referral rules apply?	Run jurisdictional threshold screen before timetable is fixed	Competition counsel
KYC / sanctions	Can all investors and funds be verified by banks and counsel?	Collect UBO, source-of-funds and identification materials early	Counsel / compliance / bank
Employment / data	Are consultation, transfer or privacy rules triggered?	Identify employee bodies, key contracts and data-transfer limits in diligence	Employment / privacy counsel
Sector regulation	Does the target need licences or change-of-control consent?	Make regulatory approvals conditions or timetable items in the LOI and SPA	Sector specialist / local counsel

Sources: AIFMD and ESMA guidance; European Commission, French Treasury and FCA materials (see Chapter 18).

KEEP A JURISDICTION MATRIX

From the start of the search, maintain a one-page matrix: searcher residence; SearchCo jurisdiction; investor countries and status; contemplated target countries; likely BidCo location; advisers. Update it when the investor base or target geography changes.

Do not choose a holding-company domicile before the target is known merely because it is common in private equity. A search fund is a single-company entrepreneurial acquisition, and the most efficient structure may depend on where that company is, where the searcher will manage it and who the investors ultimately are.

KEY TAKEAWAYS

- Cross-border ETA can connect at least five jurisdictions: searcher, investors, search vehicle, acquisition vehicle and target.
- The label "search fund" does not decide whether a vehicle is an AIF; substance and local implementation do.
- Fundraising rules can be triggered by an investor's location before a target exists; the UK needs its own analysis.
- Tax structuring should follow real cash flows, management and ownership.
- FDI screening increasingly looks through to ultimate control.
- National merger, KYC, sanctions, employment, data and sector rules can bite even on small deals.

PANEL 2 · CROSS-BORDER ETA IN EUROPE

INTRODUCED BY BRAD HARRIS · ASSOCIATE DEAN, MBA PROGRAMS, HEC PARIS

SIMON BORES LLANOS

MODERATOR · CO-FOUNDER & PARTNER, ISTRIA CAPITAL

Background

Co-founded Istria in 2016, Europe's first institutional fund of search funds: 200+ funds backed, 60+ portfolio companies, 15 exits and a third fund just closed. Lawyer, private investor and second-generation family-business owner. INSEAD MBA; LLM, College of Europe.

Focus

What travels across markets, and what survives beyond closing.

NEWTON CAMPOS

FOUNDING PARTNER, NEWTON EQUITY PARTNERS

Background

Teaches Entrepreneurship through Acquisition at IE Business School. Former IE University country lead in Brazil; taught entrepreneurship at FGV EAESP. PhD (FGV EAESP); MBA (IE Business School and IIM Calcutta). His fund reviews around 200 searcher pitches a year and has backed first or second-ever search funds in frontier markets.

Focus

Which principles are universal, and which need a local ecosystem.

DANIEL PERTHES

INVESTMENT MANAGER, PRIVATE EQUITY, EVOLUTIQ

Background

Master of Management (EBS University); mid-market M&A from 2016 and a German seed venture fund. evolutiq has invested in European search funds since 2019: 50+ searches, 15 acquisitions, three exits and a new fund about to close.

Focus

The Mittelstand: a large succession backlog and a much smaller set of suitable targets.

FLORENT ROBINEAU

FOUNDER, KENSINGTON CAPITAL (FRANCE)

Background

Pursuing a founder-owned French industrial SME. More than 20 years in institutional finance, private equity and industrial investing across Europe, Asia and the United States, including seven years at GIC as Head of Industrial & Commodities Investments research. INSEAD–Tsinghua Executive MBA; Master in Banking & Finance, Paris II Assas.

Focus

Moved from self-funded to a traditional search fund for the investor ecosystem, not the capital.

MIGUEL MARQUES PAULO

FOUNDER, MMP CAPITAL (PORTUGAL)

Background

Founder-led search fund focused on Portuguese businesses with €1–7m EBITDA and €10–50m enterprise value, particularly industrial distribution, technical services and related manufacturing. Former Group CIO at one of the world's largest Caterpillar dealers; led global technology transformations at Siemens.

Focus

The seller as the customer; tax readiness and advisory costs in a small market.

ANNA KAUKKILA

FOUNDER, VIRE CAPITAL (FINLAND)

Background

Vire is Finland's first traditional search fund and the third in the Nordic region, after Norway and Sweden. Her background combines investment banking and strategy consulting with operating experience in a local SME.

Focus

Explaining the model to first-time investors and to owners considering an exit they had not planned.

WHAT TRAVELS, WHAT STAYS LOCAL

READ ANY MARKET ON THREE AXES

Simon Bores Llanos opened with a framework for reading any market.

1 · SIZE OF THE SME POOL
Large economies (Germany, France, the UK) versus small ones (Portugal, Finland).

2 · DEGREE OF M&A INTERMEDIATION
In the UK, a company above roughly £/€500,000 EBITDA has usually been called by several brokers and PE buyers. In Spain, Portugal and Italy, many founders had never been approached, though broker activity is rising fast.

3 · MATURITY OF THE SEARCH ECOSYSTEM
Track record, experienced local investors and specialist service providers. Spain and Germany are mature; France is emerging fast; the Nordics are frontier.

THE NORTH–SOUTH VALUATION GRADIENT

Brokers favour private equity because PE generates repeat business, so in a bidding war the searcher usually loses on price. The searcher's edge is legacy alignment: a person with a project and a full-time CEO commitment can compete with a higher-paying financial buyer on continuity, trust and legacy. Daniel Perthes uses a seller-motivation scorecard for exactly this; Florent Robineau confirmed it from France, where aversion to institutional buyers is strong and cultural belonging closes deals.

Market benchmarks discussed on stage

Market	Core funds	Acq.	Succession or target supply
France	21	12	Bpifrance: 370,000 businesses (1–4,999 employees) potentially transferable by 2030, affecting nearly 3 million jobs. 26,000 transfers in 2024 against an estimated annual potential of 74,000.
Germany	20	10	KfW: 545,000 SMEs seeking succession in 2025–2029 (about 109,000 a year); a further 569,000 plan closure rather than continuation.
Portugal	4	3	About two million companies; roughly 2,500–3,500 fit classic search criteria once micro-firms, property vehicles and larger companies are excluded (searcher estimates).
Finland	0	0	About 4,200–4,300 SMEs in the search range; the Finnish Business Transfer Forum counts some 40,000 companies for which ownership transfer is topical.

Core funds and acquisitions: IESE, known core search funds formed through 31 December 2023, the figures in use on the day; updated end-2025 counts are in Chapter 14. Supply: Bpifrance (2025), KfW (January 2026), Finnish Business Transfer Forum (2026) and speaker estimates.

WHEN PRIVATE EQUITY WINS, AND WHEN THE SEARCHER DOES

- In heavily intermediated markets such as the UK, searchers often lose structured auctions: PE can pay more and offers brokers repeat business, while a searcher buys one company.
- Off-market, searchers win when the seller prioritises legacy, employees and a dedicated successor over the highest price. Assess early whether a seller wants a personal transition or the maximum payout.

OPENING THE PANEL · BRAD HARRIS, HEC PARIS

The Associate Dean of MBA Programs framed the HEC Paris community's role: forming international leaders who expand the ETA mandate globally, building acquisition entrepreneurship in France and taking the expertise, knowledge and capital abroad.

FOUR MARKETS, FOUR REALITIES

PORTUGAL · MIGUEL MARQUES PAULO

- About two million companies, half of them micro-enterprises; he has reviewed more than 1,500 of the companies in range, held 60 face-to-face owner meetings and signed one LOI, with diligence complete.
- Fewer than 5% of owners he met knew what private equity or a search fund was; most had no formal business training. Many take more pride in sending their children to university than in a valuation multiple.
- Six banks finance acquisitions and M&A desks are three or four people, so he mapped them before searching.
- Sellers check a searcher's website and references, and price talks can feel like open-market bargaining.
- His two rules: never open the box of multiples too early, and know the seller's tax position from day one.

FINLAND · ANNA KAUKKILA

- A small universe means search is about long-term relationships rather than high-volume screening.
- Management talent is scarce outside university cities, so searchers differentiate by offering a full-time, dedicated CEO successor.
- Credibility came from abroad first: she filled 60–70% of her cap table with existing VC and angel investors outside Finland before approaching Finnish money, so local investors joined a fund that already had foreign backing.
- Search-fund cheques are much larger than typical local angel or VC tickets.
- Public bodies help: regional development centres facilitate SME acquisitions to protect jobs. In one deal, a municipality bought the target's real estate so the searcher acquired only the operating business.
- Few search funds is not the same as no M&A support: Finnvera provides loans and guarantees alongside banks.

FRANCE · FLORENT ROBINEAU

- He converted from self-funded to a traditional search fund, not for the capital but for an ecosystem of experienced people.
- A searcher may need to meet as many as 50 employees during a transaction to explain the vision and win support.
- Sellers often prefer an individual operator with a clear plan to an institutional buyer: a psychological edge over PE.
- The local investor base is still small next to Spain and Germany; he raised more than 60% of his search capital internationally.
- The state is active through labour regulation and state-backed financing; France also has many buyers chasing the same companies and a court-supervised route for distressed acquisitions.

GERMANY · DANIEL PERTHES

- A large but heavily filtered Mittelstand: succession need is only the start of the funnel once size, cash conversion, founder dependence and willingness to sell are applied.
- A growing community: in preparation he estimated roughly 40 active German search funds and about 20 new traditional raises a year.
- Brokers are frequently involved, and relatively few lawyers repeatedly handle search-fund structures.
- Shared language does not make DACH one market: Swiss sellers, financing and conventions differ.
- KfW supports succession financing through its own channels.

CAN YOU SEARCH ACROSS BORDERS?

FIVE PREREQUISITES BEFORE COUNTING TARGETS

Newton Campos and Daniel Perthes set out the minimum conditions an economy needs to support search investment:

1. **Rule of law**: enforceable contracts and reliable dispute resolution.
2. **Stable tax and legal system**: predictable corporate tax, no retroactive surprises.
3. **Capital mobility and currency stability**: equity in through appropriate holding structures; dividends and capital out.
4. **Local acquisition debt**: lenders in local currency at reasonable rates.
5. **A functioning exit market**: PE or strategic buyers ready to acquire years later.

Newton has backed first or second-ever search funds in markets such as Ivory Coast, Paraguay, Egypt and Vietnam. His lesson: global acquisition discipline is necessary but never sufficient; local investors, lawyers and tax advisers are non-negotiable.

✓ QUESTIONS TO ASK BEFORE ENTERING A MARKET

- What is the binding constraint here: targets, sellers, searchers, financing or execution support?
- What earns an owner's trust locally that a CV or investor list does not?
- Which part of the traditional model becomes uneconomic here?
- What will I keep unchanged, and what assumption will I abandon?

THE CONSENSUS: LOCAL TRUST COMES FIRST

Investors were cautious about searching several unrelated countries at once. Trust with sellers, brokers and bankers takes time to build outside your language and culture, so a searcher crossing borders needs a credible plan to build it through local partners, advisers and relationships.

> **The "church test": one seller turned down a private-equity buyer and sold to a searcher who attended the same church every Sunday as roughly a quarter of the company's employees.**
>
> NEWTON CAMPOS

WHERE CROSS-BORDER SEARCHES HAVE WORKED

- **Shared cultural zones**: Germany and Austria, or Switzerland and southern France.
- **Sector specialists**, especially in software, where the customer base defines the market more than the map.
- **Distinctive personal profiles**: a Canadian who bought in Catalonia in the early Spanish years, and a Brazilian searcher based in Spain who acquired an Italian company and ran it from Spain.

Beyond the checklist, the best market is the one where the searcher has an unfair advantage. And good search targets remain boring businesses, right up until they are acquired.

Moving capital, expertise or the operator are different decisions

Opportunity	Easier when…	Harder when…
International equity for a local deal	A resident operator and local board handle execution; funding rights are clear	Foreign capital is mistaken for guaranteed funding or creates opaque approval chains
International career applied locally	Sector knowledge and language strengthen the seller proposition	Multinational experience is assumed to substitute for running a local SME
Adjacent markets	Customers, language and standards genuinely overlap	A broad "Nordics" or "DACH" mandate hides different institutions
Cross-border add-on	The first platform has management capacity and integration routines	The first deal needs a new CEO, a new country and an integration at once
Cheaper multiples abroad	Cash flow and financing stay attractive after all adjustments	Weak debt capacity, capex, tax or diligence cost erase the discount

Source: Panel 2.

PART III



Search Fund Pitch Competition finalists. Photo: Newton Campos

FINDING & BUYING THE BUSINESS

What a searcher actually looks for, and how a transaction gets done.

8 What Makes a Good Search-Fund Target? 40
9 The Search: From Thousands to One 42
10 From LOI to Closing 44
From the stage · Panel 3: Deal Killers 45

THE QUESTION THIS PART ASKS

Is a good target the same everywhere? Labour rules, customer norms, financing availability, sector licensing and owner-succession dynamics vary across Europe, and so does the path from first call to closing.

CHAPTER 8

WHAT MAKES A GOOD SEARCH-FUND TARGET?

The "buy box" translates into operating and financial characteristics. They are preferences and trade-offs, not universal rules, and the conference put real numbers on several of them.

Table 8.1 · Anatomy of a search-fund target, and what the conference added

Characteristic	What speakers added on 19 September
Recurring or predictable revenue	Know the exact split between recurring, repeat and project revenue. B2B and recurring revenue were repeatedly called "king".
Durable need, limited obsolescence	Test it now against AI: does AI strengthen the moat or erode it? Name the moats explicitly (switching costs, certifications, standards, installed base).
Attractive margins and cash conversion	Separate an earnings adjustment from a finding that weakens the company's ability to service debt and fund itself (Panel 3).
Moderate capital expenditure	Industrial specialisation can open differentiated supply but brings capex, cyclicality and technical key-person risk (Panel 2).
Fragmented market, room to grow	The winning competition thesis paired a fragmented, regulation-driven market with a roll-up and cross-sell plan.
Manageable concentration	Quantify customer concentration and model losing the top clients; supplier concentration is the risk most pitches forget. Quantify and explain churn.
Capable organisation beneath the owner	Staying above €1m EBITDA avoids the most founder-dependent businesses (Bruno Lucas). The bad surprise is usually a person, often the inherited number two (Bertrand de Poly).
Seller succession motivation	State the reason for selling early; if unknown, say how you will find out. Seller motivation was the first diligence item on Panel 3.
Sensible multiple, financing capacity	Five to six times EBITDA is usually the search-fund ceiling; above that, be ready to explain why. Staying below €5m EBITDA limits head-to-head competition with private equity.
Scale to support a professional CEO	A duo generally needs more than €2m EBITDA to carry two executive salaries (Panel 1).

Sources: Panels 1–3; opening address; Campos (2026); IESE (2026); Stanford (2026).

THRESHOLDS NAMED ON STAGE

€1–5m
EBITDA band targeted by Bruno Lucas (Hexagon) and by WAD Capital Partners

€1–7m
EBITDA, with €10–50m enterprise value, targeted by MMP Capital in Portugal

5–6x
EBITDA: the usual search-fund price ceiling, per the judges' checklist

ETA WITHOUT BORDERS

A "good target" depends partly on country. Labour rules, customer norms, financing availability, sector licensing and owner-succession dynamics vary across Europe; a lower entry multiple abroad can be erased by weaker debt capacity, capex, tax or diligence cost.

SIX THESES, TWO MEDALS

Six student teams from HEC Paris and Esade pitched acquisition theses in ten minutes plus five of questions. The targets were real companies, so they are not named here.

GOLD · B2B COMPLIANCE SERVICES, UK

A regulation-anchored B2B compliance cleaning business: demand mandated by law, a fragmented market, blue-chip customers, a roll-up and cross-sell plan, and a founder transition the team had thought through. The team was candid that its financials were estimates. It was exactly the kind of company search investors want to own (boring, recurring, consolidatable), presented by people who intended to run it.

SILVER · FRENCH INDUSTRIAL MANUFACTURER

A decades-old, vertically integrated manufacturer with hundreds of customers, low concentration, a multiple slightly below comparables, modest leverage and a conservative plan built on standardisation, service contracts and paid pilots, with the upside kept out of the base case. Open items (quality of earnings, key-staff retention) were named before the judges raised them.

THE FIVE UNKNOWNS THAT DECIDE REAL DEALS

Across six very different pitches the same gaps kept surfacing: **seller motivation, verified earnings, revenue quality, customer concentration and key-person dependency.**

THE MEDIAN ACQUIRED COMPANY

	Int'l, all-time	Int'l, 2024–25	U.S./Canada, 2024–25
Purchase price	$12M	$10M	$16.0M
Revenue	$8M	$10M	—
EBITDA · margin	$2.3M · 26%	$2M · 28%	≈$2.5M · ≈25%
Price / EBITDA	5.7x	5.1x	6.2x
Employees	50	45	≈30–40

In 59% of international deals, over two-thirds of revenue was recurring. Sources: IESE (2026); Stanford (2026). See Chapters 13–14.

BEFORE AN INVESTOR MEETING: A PITCH CHECKLIST

Grouped and paraphrased from the twenty-point checklist Dr. Newton Campos published after judging the competition.

THE SELLER AND THE MARKET

- Give the reason for selling early, or explain how you will find it.
- Describe the local search market (how many have searched there and what happened to them) and the PE and VC market: exit buyers are part of the thesis.

THE BUSINESS

- B2B and recurring revenue win; know the recurring / repeat / project split. For software, know the Rule of 40.
- Quantify customer and supplier concentration and churn; name the moats.
- Do not apologise for a basic business. Celebrate it.

PRICE AND STRUCTURE

- Treat five to six times EBITDA as the usual ceiling.
- Avoid earn-outs and leaving the old owner in charge: both look like protection and breed conflict.
- Address guarantees, escrows and warranties. If you propose a long hold, club deal or other structure, explain exactly how it differs from the core model.

DILIGENCE AND RISK

- Put diligence where the risk sits; technical diligence is often skipped.
- Assess AI risk, plus war, catastrophe, ESG, supply-chain and energy exposure.

THE SEARCHER

- Be the entrepreneur and lead. If you are not ready to lead the whole process, a search-fund accelerator may fit better.

CHAPTER 9

THE SEARCH: FROM THOUSANDS OF COMPANIES TO ONE

A search thesis becomes a sourcing funnel, and the funnel eventually produces one credible acquisition candidate. The process is analytical and relational at once.

Figure 9.1 · One searcher's funnel: Portugal



Source: Miguel Marques Paulo (MMP Capital), Panel 2.

ETA WITHOUT BORDERS

Cross-border sourcing adds language, local adviser networks, seller expectations, financing-market differences, cultural norms and sometimes seller sensitivity to foreign capital.

9.1 Define the box, build the universe

The search starts by fixing geography, sectors and buy-box criteria, then building a target universe from registries, databases and networks. Small markets change the method: with about 4,200 companies in range, Anna Kaukkila's Finnish search is built on long-term relationships rather than volume, while Miguel Marques Paulo mapped Portugal's six acquisition-finance banks and their small M&A desks before sourcing a single company.

9.2 Proprietary or intermediated?

Intermediation decides whether a searcher ever sees a proprietary deal. In the UK, a company above roughly £500,000 of EBITDA has usually been called by several brokers; in Spain, Portugal and Italy many founders had never been approached, but that window is closing fast.

Panel 3 was blunt about auctions. Searchers struggle to win price-driven, multi-bidder processes run by investment banks: private equity can pay more and gives brokers repeat business. One Italian searcher reviewed twelve deals in his first year, entered ten competitive auctions and closed none. Better intermediaries are often the owner's accountant, tax adviser or auditor, who can prepare a business for sale without creating a price-maximising auction. Brokers do start to call once a buyer has closed a few deals, as WAD Capital Partners found, but self-origination still matters because entry price drives returns.

9.3 Why would an owner sell to a searcher?

Not for the highest price. When a seller accepts less from a searcher than from a private-equity buyer, the discount reflects what the searcher brings: a dedicated successor who will run the company, protection of the founder's legacy and employees, and the chance to retire with someone in place. Sellers check a searcher's website and references, and trust often rests on shared language, culture and community. Assess early whether an owner wants a personal transition or the maximum payout.

9.4 From conversation to exclusivity

Qualified opportunities move through owner conversations, management meetings and site visits, an indicative offer where used, and finally an LOI or heads of terms with exclusivity. Full-time commitment matters at every step: Panel 1 argued that deal quality rises with the volume screened and that sellers recognise partial effort.

WHEN TO SAY YES

Panel 3 used the "secretary problem" from optimal-stopping theory as an analogy for search: learn the market before committing to a target.

Figure 9.2 · Learning before committing, as Panel 3 framed it

Early months · Calibrate	Rest of the search · Decide
See deal flow, learn market standards and build a benchmark for a good target.	Judge each target against that benchmark, using what calibration has taught you.

The panel's illustration gave roughly the first third of a 24-month search to calibration. Source: Panel 3.

TECHNOLOGY AND THE SOLO SEARCHER

Bruno Lucas uses AI and automation for outreach and business development while keeping human judgement for meetings and conviction. If technology removes most manual qualification, a solo search may gain some of the throughput traditionally associated with a duo.

SOURCING BY THE NUMBERS

The average international searcher explored more than 3,000 businesses, held 159 owner conversations and signed about four LOIs to complete one acquisition (IESE, 2024). Proprietary outreach is the main channel, rated 4.0 on a five-point scale, ahead of brokers (3.3), family and friends and service providers (2.3 each) and investment banks (2.2). Speed matters: acquirers signed a first LOI by month six and non-acquirers by month eight (IESE, 2026); in North America, a first LOI within six months led to an acquisition 74% of the time (Stanford, 2026).

AI FOR SEARCHERS: WHAT ONE PLATFORM IS BUILDING

Maxence Lapras, founder of Matrila, a French platform selling end-to-end sourcing and outreach to searchers and a conference sponsor, presented its method in a dedicated session.

DATA FIRST, AI SECOND

- Start from the French registry: 27 million legal entities, about five million with activity data.
- Use verified public information before any inference; break sourcing into 10–15 narrow steps with prompts pointed at known sources.
- Treat false negatives as the main risk: a human reviews every exclusion; scoring carries explicit weights per attribute; the system remembers each searcher's preferences.
- A machine-learned "transmission probability" score (one to five) estimates the likelihood of an ownership change within 18–24 months, backtested on French transaction history.

QUESTIONS TO ASK ANY SOURCING PLATFORM

- How is the target score tested against real ownership changes?
- How often is each data source refreshed, and where is coverage thinner by sector or size?
- How are owners' contact preferences and data-protection rules respected?
- How does the service fit alongside your own outreach and network?

PRINCIPLES THAT TRAVEL

With or without a vendor: verified data before inference, modular prompts, weighted scoring, human review before exclusion, verified emails and outreach personalised with the owner's own story. Matrila reports response rates of 15–60%, depending on the channel.

CHAPTER 10

FROM LOI TO CLOSING

A signed letter of intent creates a process, not a completed investment. The company must withstand diligence, the seller must remain willing to transfer control, and the terms must work for the bank and the equity investors at the same time.

Figure 10.1 · From exclusivity to ownership



Diligence typically spans financial, tax, legal, commercial, operational, technology and HR workstreams, with a quality-of-earnings (QoE) review. Signing and closing may be simultaneous or separated. Exclusivity period: Panel 3.

10.1 What the LOI is for

An LOI sets the initial commercial terms, aligns buyer and seller on valuation and usually grants the buyer an exclusivity period of about three months. That window exists to find deal-breakers before costs escalate. Searchers should actively hunt for red flags rather than confirm the positives; if a significant one appears, resolve it immediately or terminate and redirect attention to the rest of the pipeline.

Which provisions of an LOI bind depends on its wording and governing law; exclusivity is not a guarantee of completion (see Chapter 6).

10.2 Precision versus flexibility

Sellers want precise terms in the LOI because they want certainty. Buyers want flexibility because diligence will surface new information. Too much flexibility, however, damages trust when significant changes arrive later. When diligence justifies a price adjustment, raise it transparently as soon as it is found. Holding it back until SPA negotiations creates severe deal fatigue and can break the relationship.

10.3 Why searchers face more attrition

The searcher is often both transaction coordinator and prospective CEO, assembling separate capital providers behind one deal without a standing deal team or committed balance-sheet capital. Search capital is not committed acquisition equity: a supportive investor group, a lender's indication and a signed financing package are different levels of certainty. Time and money already spent do not make the next commitment attractive. Stopping a bad acquisition can be a successful outcome.

30–40%

of signed search-fund LOIs estimated to fail before closing, against about 10% in private equity

Interview estimate: Jaume Argerich.

ETA WITHOUT BORDERS

Country-specific diligence matters. Tax, labour and works councils, real estate, pensions, permits, data and privacy, FDI and the enforceability of financing can become critical even in otherwise "simple" SME acquisitions.

PANEL 3 · DEAL KILLERS: FROM LOI TO CLOSING

GONZALO VEUTHEY

MODERATOR

Background
McKinsey experience and INSEAD MBA studies; connected to the INSEAD search-fund community.

Focus
Turning experienced investors' and counsel's observations into decisions a first-time buyer can use, and voicing the absent seller and lender.

JUAN CUESTA

MANAGING PARTNER, ONETOONE ASSET MANAGEMENT

Background
34 years in private equity, with earlier partner roles at Corpfin Capital and MBO Partenaires. ONEtoONE is a €35m platform supporting searchers through search, evaluation, acquisition, management and exit.

Focus
The discipline of repeat buyout investing applied to a first acquisition.

JAUME ARGERICH

GENERAL PARTNER, INVEREADY · DIRECTOR, ANIOL FAMILY OFFICE

Background
Investor relations during a large industrial holding company's IPO, then 15 years directing corporate development at an industrial multinational. Teaches entrepreneurship; doctorate on business-angel screening. Aniol began focusing on SMEs and search funds in 2020.

Focus
Seller motivation first: why sell, why now, and who else gains or loses.

RUBEN TROS

PARTNER, CORPORATE & M&A, STEK

Background
Advises private-equity investors, companies, founders and management teams on acquisitions, restructurings and incentives, including Dutch search funds and W&I insurers. Joined Stek in 2013, partner since 2018; previously Allen & Overy and Norton Rose Fulbright.

Focus
Three processes must converge: the acquisition, the bank financing and the investor negotiation.

MIGUEL INDEKEU

SEARCH FUND INVESTOR, INNESTO PARTNERS

Background
Experience in investment banking, M&A and private investing, with a focus on software and technology; studied at Bocconi. Innesto invests in European search funds, retaining North American activity, backing profitable, cash-generative businesses and capable operators.

Focus
What makes the equity decision actionable.

FIX IT, REPRICE IT, OR WALK AWAY?

Table 10.1 · Six layers where a deal can die

Risk layer	Early signal	Decision to test
Seller readiness	Unclear reason to sell; shifting family or shareholder positions	Is there a shared, feasible exit objective?
Commercial thesis	Demand, customers or margins differ from the acquisition case	Is the original business still there at a revised price?
Financial reality	Cash conversion weakens after normalising earnings and liabilities	What cash remains after operating needs and debt service?
Funding compatibility	Equity, bank and seller terms rest on incompatible assumptions	Can every provider support the same structure?
Legal and compliance	A liability is hard to quantify, remediate or recover	Does the protection actually address the exposure?
Control and transition	Founder keeps informal authority, or investors reopen manager economics	Will the buyer receive the company and authority underwritten?

Sources: Jaume Argerich and Ruben Tros, Panel 3.

Table 10.2 · Four responses to a diligence finding

Response	Question before proceeding
Resolve	Who fixes it, by when, and how will completion be verified?
Reprice	Does the new price compensate for the downside without relying on optimistic recovery?
Restructure or protect	Will every affected party accept the revised risk, and is recourse meaningful?
Withdraw	What new evidence, if any, could legitimately reverse the decision?

A finding is evidence. Repricing changes consideration; restructuring changes financing or risk allocation; a contractual protection is only as good as its scope, enforceability and recoverability. None should obscure an unacceptable underlying business.

THE PANEL'S VERDICT: WALK AWAY

Asked what to do when a seller demands 7x EBITDA two days before closing on an agreed 6x, the panel's answer was to walk away: it signals a breakdown of trust and consistency. Diligence should test whether the seller's words and behaviour stay consistent, including labour relations, five years of employee turnover and conversations with nearby commercial partners.

DOWNSIDE IS WORSE THAN THE SPREADSHEET

The panel stressed that real downside in failed deals can be far worse than the worst case in an Excel model. Set objective red lines and risk parameters before diligence begins; they act as circuit breakers against emotional attachment. Treat investors' capital with the discipline you would apply to your own.

THREE NEGOTIATIONS, ONE TRANSACTION

Ruben Tros's central observation: the acquisition, the bank financing and the investor negotiation must land together. Vendor financing sits between them: it is consideration left by the seller and part of the structure the senior lender scrutinises.

WORKED EXAMPLE

A buyer agrees a **€12m** enterprise value at **6.0x** advertised EBITDA of **€2m**, funded with €6m senior debt, a €2m vendor loan and €4m equity (ignoring net debt, fees and cash adjustments).

Diligence cuts sustainable EBITDA to **€1.6m** and finds an extra **€0.6m** working-capital need. The bank will now lend **€4.8m** and requires the vendor loan to rank behind it. The seller still wants €12m, objects to the vendor-loan risk and expects an advisory role. Equity investors have not given final approval.

Arithmetic before the negotiation	Result
Multiple at an unchanged €12m price (12 ÷ 1.6)	7.5x
Value at the original 6.0x on €1.6m	€9.6m
Equity needed at €12m + €0.6m, with €4.8m senior and €2m vendor loan	€5.8m
Equity needed if the vendor loan disappears	€7.8m
Original equity cheque, for comparison	€4.0m

Run the case: is this the same business at a different value, or a different investment? Which promises are incompatible, and in what order should they be addressed? What would make the larger equity cheque acceptable, or a definitive no? What does the seller's reaction reveal about readiness and the desired role after completion? Choose one next action: a revised price, capital stack and transition must describe one coherent deal.

Table 10.3 · Vendor loan versus bank: points to surface before the LOI is treated as complete

Issue	Seller may assume	Senior lender may require	Point for counsel and searcher
Ranking	Ordinary debt	Full subordination to present and future senior debt	State expected ranking and dependency on the bank package
Security	A charge protects repayment	No security, or only deeply subordinated security	Do not promise security before lender alignment
Payments	Follow the note schedule	Payments stop on default, covenant breach or leverage tests	Explain permitted payments and payment blocks
Maturity	Repaid on the agreed date	After senior maturity or refinancing	Align tenor, amortisation and refinancing assumptions
Enforcement	Can accelerate after non-payment	Standstill and restricted remedies while senior debt is outstanding	Surface enforcement limits and cure periods
Change risk	LOI economics are fixed	Final credit approval can change structure or leverage	Allocate the consequence if acceptable senior terms are unavailable

Source: Ruben Tros (Stek).

BEFORE YOU PROMISE THE SELLER CERTAINTY

- Who approves each funding source, what remains conditional, and when is the decision due?
- Which seller terms have been tested with the bank and the lead equity investor?
- Who explains a changed term to the seller and owns the cross-workstream decision log?
- What happens if financing or diligence slips beyond the timetable?

WHERE DEALS ACTUALLY BREAK

DEBT CAN DERAIL A DEAL

In emerging search markets such as the Netherlands, banks may still be unfamiliar with the model; searchers spend time educating lenders, which slows credit approval. At the time discussed, Dutch searchers relied mainly on a single major bank that understood the structure. Delays breed deal fatigue and sellers lose motivation. Lenders can also cut loan-to-value or commitments late, by as much as 50%. Run several lenders in parallel, or use a debt adviser.

SCOPE DILIGENCE TO THE RISK

Design diligence around the target's specific risks rather than a standard full scope: environmental reviews for a food business; operating licences and health-and-safety permits for construction. Regulated sectors such as healthcare, energy and licence-dependent construction carry more regulatory risk.

Businesses in cash-heavy sectors (restaurants, fragmented payment businesses, residential property management) can run informal cash circuits that standard financial diligence misses; they surface after closing when unrecorded creditors ask for cash. In Spain, businesses operating under a *declaración responsable* (self-declaration of compliance) need care: a legal review can confirm the declaration was filed without confirming it is accurate, and misleading declarations can hide liabilities such as unregistered family members on payroll or personal assets charged to the company.

VENDOR LOANS OVER EARN-OUTS

Earn-outs invite post-closing disputes because payment depends on metrics the new owner controls. Sellers resist EBITDA-based earn-outs when the buyer will add costs such as a CFO, a head of sales or new IT; gross-margin earn-outs are hard to calculate, and revenue earn-outs can reward unprofitable growth. A vendor loan is a fixed obligation: more predictable, some downside protection, and non-dilutive leverage that can lift equity IRR.

WHEN INCENTIVES DIVERGE

In the downside, investors may demand major operating changes or a new CEO, creating conflict and sometimes litigation. In the upside, when EBITDA triples or IRR runs well above 25%, a searcher may push for earlier vesting or distributions before any exit. Agree early what happens in both.

THE INFORMAL DECISION SYSTEM

Legal ownership and practical influence differ. A family member may lose a job, standing or an expected role without owning shares. Understand who loses most from the sale even if the principal seller is paid well.

PROFESSIONALISATION CHANGES THE PRICE

Family payroll, owner expenses, pensions and informal arrangements need a second look: some costs disappear under new ownership, others reveal understated costs of running the company properly. Ask which adjustment improves the seller's EBITDA but creates a replacement cost for the buyer.

✓ KEY TAKEAWAYS

- An LOI starts a process; use exclusivity to look for deal-breakers, not reassurance.
- Diligence the seller's motivation and decision system alongside the earnings.
- Seller, bank and equity terms are one negotiation; test each against the others before calling them settled.
- Raise justified price changes early and with evidence.
- Set red lines before diligence; walking away can be the disciplined outcome.

PART IV



BECOMING THE OWNER

The acquisition is the beginning, not the end.

11 Searcher → CEO 50
From the stage · Panel 4: The First 100 Days 51
12 Hold, Compound or Exit 56

THE QUESTION THIS PART ASKS

A cross-border CEO may need to relocate, lead in another language, manage a different employment regime and rely heavily on local management. That is an operating issue, not only a transaction issue.

CHAPTER 11

SEARCHER → CEO

The first 100 days begin before closing. The incoming CEO must turn the acquisition thesis into an operating plan, transfer authority from the founder, earn employees' trust and build a working relationship with the board. The pace of change should follow the condition of the business and the evidence, not an arbitrary deadline.

FIVE THINGS TO UNDERSTAND BEFORE DAY ONE

- Prepare the transition before closing, but keep the plan open to what only becomes visible after taking control.
- Founder handover has two tasks: transferring **knowledge** and transferring **authority**. Progress on one does not prove progress on the other.
- Employee trust is earned through observable decisions, reliable follow-through and respect for existing competence.
- Listening and intervention can run together. A learning period does not excuse ignoring an urgent cash, safety, service or conduct problem.
- The CEO and board need an agreed view of progress, decision rights and escalation before the first serious surprise.

HOW LONG IS THE LEARNING PERIOD?

Views differ. Adrian Carniol places preparation before the formal start and treats assessment as continuing into the first and second quarters. Innesto Partners' published model describes a much longer learning period, often six to eighteen months before significant change. Treat both as conditions to test, not a timetable to copy.

Table 11.1 · Practices to keep, and when to adapt them

Practice	Why it is useful	When it needs adaptation
Listen before redesigning	Reveals informal expertise and the real sources of customer loyalty	Urgent cash, safety or service failures need action while diagnosis continues
Retain the founder during handover	Transfers relationships and tacit knowledge	A founder who remains the unofficial boss stops authority transferring
Prepare a value-creation plan	Connects the investment case to accountable work	Pre-close assumptions may fail; access to staff before closing may be limited
Pursue an early improvement	Shows reliability and removes a visible frustration	A cosmetic win or unsupported promise weakens trust
Introduce reporting	Creates a common view of performance and risk	Too much reporting consumes a small team without improving decisions
Recruit missing capability	Reduces dependence on the CEO or seller	A rushed senior hire may duplicate strong incumbents or add cost

Source: Panel 4.

ETA WITHOUT BORDERS

A founder succession differs from a corporate CEO appointment, and both differ again across borders. An incoming CEO from abroad must earn the same legitimacy in a new language and employment regime, often leaning on local managers far more than a domestic successor would.

PANEL 4 · THE FIRST 100 DAYS AS CEO

TIPHAINE SALTINI

MODERATOR · HEC PARIS – DIETER SCHWARZ CENTER FOR FAMILY BUSINESS

Background

Educator, author and speaker working across cognitive science, finance and entrepreneurship. Former CEO of Neuroprofiler; PhD in Decision Science (Paris-Sorbonne Business School); academic background at HEC Paris and the École Normale Supérieure, with visiting-scholar experience at Harvard and Columbia.

Focus

Separating confidence from competence, and a persuasive acquisition narrative from a testable operating hypothesis.

ADRIAN CARNIOL

MANAGING PARTNER, NOVADVICE

Background

Head of Talent and of the Directorship Office at Novadvice since 2022. Previously CEO of Wella Company Benelux, a KKR-owned business; executive roles at L'Oréal and Procter & Gamble in Europe and Africa; began at Accenture. ICHEC; MBA, Solvay Business School.

Focus

Transition seen from four seats: replacing a small-company founder, entering an established organisation, the board and the investor.

MARC BARTOMEUS

FOUNDER, ARIOL CAPITAL · CO-FOUNDER, ALBIRA INVESTMENTS

Background

Spain's first search fund. Acquired Repli in Spain and Pentapackaging in Italy, growing in plastic-container distribution organically and through acquisitions; led them as CEO and sold them to a strategic buyer in 2020. Now a private investor and board member.

Focus

What the new CEO expected versus what operating actually required.

JOACHIM DE BELGIQUE

MANAGING PARTNER & CO-FOUNDER, INNESTO PARTNERS

Background

Previously at Clayton, Dubilier & Rice and AtlasInvest, and led sales and marketing in an operating role at New Southern Energy. Bachelor's degree, Bocconi University; MBA, Harvard Business School. Innesto stays close to searchers through acquisition and supports them after closing, potentially with a board seat.

Focus

What investors should expect by day 100, and when to intervene.

GUY-LOUIS DE LE VINGNE

CEO, NEX-VOLTA (MIGNONE)

Background

Operator. CEO of Nex-Volta, the holding company for Mignone, which he acquired as CEO-in-Residence at WAD Capital Partners. WAD backs executives who acquire and grow established European SMEs with €1–5m EBITDA, particularly in succession situations.

Focus

The first 100 days seen from the CEO's chair today, after taking over through an institutional CEO-in-Residence route rather than a classic search.

THE PANEL'S QUESTION

PREPARING THE HANDOVER AND EARNING THE AUTHORITY TO LEAD

The first 100 days begin before closing. The incoming CEO must turn the acquisition thesis into an operating plan, transfer authority from the founder, earn employee trust and build a working relationship with the board.

What must be ready on day one, what must be learned after taking control, and how do you tell the difference?

FROM PREPARATION TO DAY 100

Table 11.2 · Operating priorities: a discussion framework, not a fixed schedule

Period	Work to prioritise	Evidence of progress
Before closing	Plan the seller's role, first communications, decision authority and access to operating information. Convert the thesis into questions for the team.	Named transition owners, clear first-day responsibilities, a list of assumptions still to test.
Days 1–10	Confirm business continuity. Meet the team, key customers and critical suppliers. Understand cash visibility and where decisions actually sit.	Payroll and service continuity; an initial relationship map; a visible route for reporting urgent problems.
Days 11–30	Test the operating baseline. Compare management reports with frontline evidence. Identify key people and one achievable improvement.	A reliable baseline, mapped dependencies and an initial view of capability gaps.
Days 31–60	Review the founder's remaining responsibilities. Assign priorities to managers and act on the strongest evidence.	Decisions made without routine seller intervention; clear ownership of improvement work.
Days 61–100	Evaluate what changed and what did not. Review the team, cash outlook, customer risks and next-quarter priorities with the board.	A revised operating plan with accountable owners, explicit resource needs and fewer untested assumptions.

Compress the dates when the business faces an urgent problem; extend them where evidence or safe implementation needs more time. Source: Panel 4.

THE MINIMUM INFORMATION TO MAKE DECISIONS

- **Cash:** a near-term forecast, collections, overdue receivables, payment obligations and the assumptions most likely to move.
- **Customers and operations:** retention or renewals, order intake, backlog quality, service failures and delivery constraints.
- **People:** key-person dependencies, vacancies, signs of disengagement, and whether managers can decide without the founder.
- **Execution:** a few agreed priorities, each with an owner, a baseline and a review date.

✓ **BY DAY 100, SHOW THE BOARD…**

…improved cash visibility, customer continuity and a credible management assessment, even before a visible earnings increase. The practical test is whether the company can make sound decisions, keep important relationships and perform with less dependence on the former owner.

KNOWLEDGE STAYS; AUTHORITY MOVES

Separate what the seller still knows from what the seller is still authorised to decide. A handover can fail even when the relationship is cordial, if employees and customers keep treating the former owner as the only source of a final answer.

Table 11.3 · A practical handover conversation

Issue	Question to settle	Useful evidence
Customer relationships	Which relationships need a joint introduction, and when does the CEO become the primary contact?	Customers contact, and accept decisions from, the new leadership
Operating knowledge	Which decisions still depend on undocumented founder judgement?	Managers can explain and repeat the process without the seller
Employee authority	What happens when a manager receives conflicting instructions?	One clear operating decision and one agreed escalation route
Seller involvement	What is the seller's role, availability and end point?	Responsibilities reduce as agreed milestones are met
Disagreement	How will the CEO and seller resolve conflict privately?	Disputes do not create competing instructions inside the company

Source: Panel 4.

HEARD ELSEWHERE IN THE DAY

- **Panel 1 (WAD):** write the transition plan before closing; tell employees in the first week; make the searcher the sole point of contact and move the founder strictly into an advisory role.
- **Panel 1:** a solo CEO can recruit a CFO or CRO after closing, once the company's real needs are known.
- **Panel 3:** investors do not expect every skill on day one, but expect key gaps closed within six to twelve months of acquisition; most value is created over the following five to seven years.
- **Opening address:** skip no audit. The bad surprise is usually a person, often the inherited number two, not a number.

ALIGN THE CEO AND BOARD BEFORE THE FIRST SURPRISE

Agree the ordinary reporting rhythm and the situations that require an immediate call. Distinguish decisions the CEO owns from matters reserved to the board under the company's actual governance. A large investor group should not become several informal approval chains. Make early success explicit: improved cash visibility, customer continuity and a credible management assessment may reasonably come before a visible earnings increase.

PROMPTS FOR A USEFUL BOARD MEETING

- What has changed since underwriting, and which assumption has been disproved?
- Which decision does the CEO recommend, and what would make it wrong?
- What resource or introduction would help, and what should the board stop asking the team to do?
- Which risk requires action now, and who owns the next step?

WHAT THE RESEARCH ADDS

In France, one buyer in four cites human-resources management as a post-acquisition difficulty (Bpifrance Le Lab & C.R.A, 2025). IESE's study of 25 high-performing search companies found that more than 90% faced a near-fatal event in their first three years (Rosenthal & Simon, 2024). Plan the handover as if the first crisis is coming.

CASE: DAY 20

CASE: FOUNDER DEPENDENCE AND CASH PRESSURE

You have acquired a 45-person B2B distributor. The former owner agreed to remain available for three months. Two major customers still call the seller directly, and the sales manager quietly follows the seller's instructions when they conflict with yours.

The acquisition plan assumed the company could improve collections and grow sales without immediately expanding the team. The finance manager now tells you receivables are being collected more slowly than expected, and the cash forecast shows little room for further slippage. A board member wants a weekly dashboard and the immediate recruitment of a CFO.

Employees have heard that "nothing will change". You did not make that promise; the seller did. You are weighing new credit controls, a customer communication plan and replacing the sales manager. You do not yet know which problem is the cause and which is a symptom.

Work through it in three passes

Pass	Decision to force
First 24 hours	What do you verify and stabilise immediately, and which decision do you refuse to make yet?
Next seven days	How do you address the seller, clarify authority, and assess the sales and finance managers?
Board discussion	What should the board expect from the CEO, what support should it give, and what would justify intervention?

QUESTIONS THAT EXPOSE THE TRADE-OFFS

- Do you tighten credit terms before speaking to customers, and who can approve exceptions?
- Do you remove the sales manager, or first clarify which instruction the manager was expected to follow?
- Is a CFO the missing capability, or can the current team build a reliable cash view with targeted help?
- How do you correct the promise that nothing will change without humiliating the seller or alarming employees?

WHAT A USEFUL ANSWER CONTAINS

Verified facts, a near-term cash action, a private conversation with the seller, clear operating authority and a specific request to the board. Be wary of a confident solution that skips the missing evidence, and ask what new fact would change the answer.

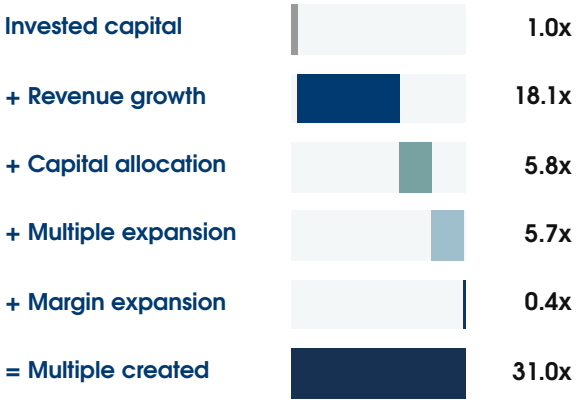
KEY TAKEAWAYS

- Closing turns the buyer into the person accountable for payroll, customers and an existing team.
- Plan the handover before closing; transfer knowledge and authority deliberately and separately.
- Earn trust through decisions people can see, and act at once on urgent cash, safety or service problems.
- Agree reporting, decision rights and escalation with the board before the first surprise.
- Choose one action before closing, one for the first month and one to defer.

BEYOND DAY 100: WHAT HIGH PERFORMERS DID

IESE studied 25 high-performing search companies over their full ownership cycles. Their CEOs did not run the business as usual: they transformed it, themselves and their boards, in two acts.

Figure 11.1 · Where a 31.0x return came from



Revenue growth, not cost-cutting, created most of the value: margin expansion added less than half a turn. These companies earned more than 20% on tangible capital in industries growing at a median 11% a year, and were held for about six years on average.

ACT I · ROUGHLY YEARS 1–5

- **Revenue first.** High-performing CEOs spent close to 60% of their time on sales growth in the early years, through new products and services, new customers and, later, M&A.
- **Make the business robust.** Shift toward recurring revenue, build strategic fit across offerings and deepen the moat.
- **Build a talent engine.** Hire, move and, when needed, let go, to get strong people into the critical roles, and build a culture oriented to growth.
- **Keep customers for good.** Durable customer relationships were a common trait.
- **Keep leverage moderate.** Debt adds financial risk on top of a first-time CEO's risk.
- **The CEO changes too,** from diplomat to achiever. A board that needs replacing in Act I was probably the wrong board.

ACT II · YEAR 5 ONWARD

- **Bigger moves:** acquisitions, internationalisation and more complex capital structures, with the CEO becoming a strategist.
- **A board for the new job:** directors with M&A, capital-allocation and international experience.

PITFALLS TO AVOID

- Managing business as usual, which cannot produce the expected returns.
- Large acquisitions too early: start small, because small deals produce small mistakes. Even in large companies only about a quarter of M&A creates value.
- Underestimating integration, especially people and culture.
- Exiting before Act II has had a chance to compound.

YEAR ONE

The first year is about getting to know the business and not breaking anything. The CEO acts as a diplomat; the board focuses on governance and reporting.

ECHOED ON STAGE

WAD Capital Partners plans buy-and-build for about a fifth of its deals and requires prior integration experience for them (Panel 1). Investors expect most value to be created in the five to seven years after closing (Panel 3).

Source: Rosenthal, S., & Simon, J. (2024), Search Fund Transformations: A Path to Excellence, IESE, ST-659-E. The 31.0x decomposition describes the study's high-performing sample, not the average search fund.

CHAPTER 12

HOLD, COMPOUND OR EXIT

Liquidity is a strategic choice with several paths, not a quick sale that every search fund must make. It is a later ownership decision, not the purpose of the search.

Figure 12.1 · Exit pathways

STRATEGIC BUYER	FINANCIAL SPONSOR	NEXT ENTREPRENEUR	RECAP / PARTIAL LIQUIDITY	LONG-TERM HOLD	RESTRUCTURING
Marc Bartomeus sold Repli and Pentapackaging to a strategic buyer in 2020.	A functioning PE exit market is one of Panel 2's five prerequisites.	Management-led or entrepreneur-to-entrepreneur succession.	Return capital, often with rollover, while the CEO stays.	Hexagon and Orhata plan long holds; Stanford now tracks 67 LDEs.	Failure, restructuring or liquidation are outcomes too.

Sources: Panels 1–2; speaker biographies; Kelly, Zenios & Ng (2026).

WHAT THE CONFERENCE SAID ABOUT THE END GAME

- **Plan the cycle.** WAD's searchers see the role as part of a 15-year career path, with operating cycles of roughly five to seven years per ownership phase, and a five-year call option over the founder's remaining equity.
- **Exit buyers are part of the thesis.** Describe the local PE and strategic market in the pitch, not only the target (judges' checklist).
- **Incentives diverge in the upside too.** When EBITDA triples or IRR runs well above 25%, a searcher may push for earlier vesting or distributions before an exit (Panel 3).
- **Watch the quiet cap-table term.** The clause that feels benign at closing can decide what happens when the CEO wants to reinvest and some investors want liquidity (Panel 1).
- **Track records are still young in Europe.** Istria Capital counts 15 exits and evolutiq three, against far larger numbers of funds backed.

QUESTIONS THAT SHOULD DRIVE THE SELL-OR-HOLD DECISION

- Does the company still compound attractively on its own cash flow?
- What do the investors need, and when, given their own fund lives and liquidity preferences?
- What does the entrepreneur want for the next decade?
- Who are the credible buyers, and in which jurisdictions?
- Would a recapitalisation or partial sale with rollover serve everyone better than a full exit?

ETA WITHOUT BORDERS

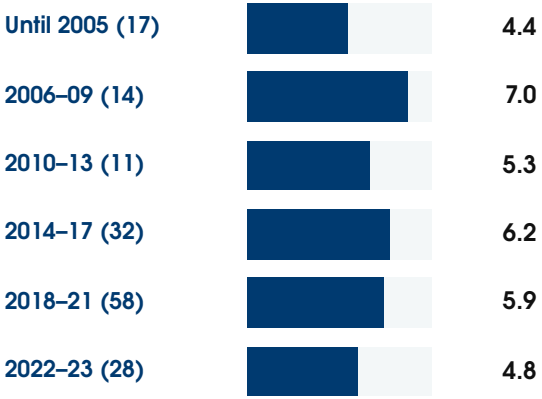
A cross-border exit can introduce a new buyer jurisdiction, withholding and capital-gains questions, foreign-investment screening and FX effects. "Exit proceeds" are not automatically equivalent to identical after-tax investor returns.

EXITS ARE ACCELERATING ABROAD

21 of the 38 successful international exits on record happened in 2024–25 (IESE, 2026). The numbers are overleaf.

EXITS BY THE NUMBERS

Figure 12.2 · Average holding period of exited U.S. and Canadian companies, by exit period (years)



Number of exits in brackets. Source: Kelly & Heston (2024), Stanford GSB, E870.

Most exits come five to seven years after closing. IESE's high-performer study puts the average hold at about six years and asks whether the community exits too early, before the bigger moves of a second act.

Table 12.1 · What happened to the companies

	U.S. & Canada	International
Acquisitions	382 (2026 study)	216 (2026 study)
Exited with a positive return	146	38
Exited or closed at a loss	40 at end-2023 (2024 study)	11
Still operating	166 at end-2023	167
Returns of exited funds	5.98x · 39.3% IRR	4.0x · 39% IRR
Recent momentum	Holding longer: ROI up, IRR down	21 of 38 positive exits in 2024–25

Sources: Kelly, Zenios & Ng (2026); Kelly & Heston (2024); Naranjo et al. (2026). Europe accounts for 22 positive international exits and 7 losses.

WHAT THE CEO TAKES HOME

Outcomes are as skewed for operators as for investors. Among exited U.S. and Canadian CEOs, about 22% earned $10M or more from their equity and about 22% earned nothing (2026 study). In the 2024 study, exited entrepreneurs averaged $5.7M of equity value, with a median of $2.25M.

≈22%
of exited CEOs earned $10M or more

≈22%
earned nothing from their equity

$5.7M
average equity value at exit (2024 study)

$2.25M
median: half earned less

A SALE IS ONE OPTION AMONG SEVERAL

A strategic sale, a sale to private equity, a recapitalisation with rollover, a sale to the next entrepreneur or a long hold can all return capital. The right answer depends on whether the company still compounds, what investors need and what the CEO wants for the next decade.

PART V



WHAT THE EVIDENCE SAYS

The data, read after the model is understood.

13 Search Funds by the Numbers: North America 59
14 Search Funds Without Borders 61
15 What the 33.9% Does Not Tell You 64
16 Is ETA for You? 66

THE QUESTION THIS PART ASKS

North American averages should not be exported to Europe without qualification. Use them as the benchmark, then compare them explicitly with the younger international evidence.

SEARCH FUNDS BY THE NUMBERS

Stanford's 2026 Search Fund Study is the longest-running dataset on the model. Every figure in this chapter is U.S. and Canada only, measured through 31 December 2025.

862
core search funds formed since 1984, about 99% of the known universe

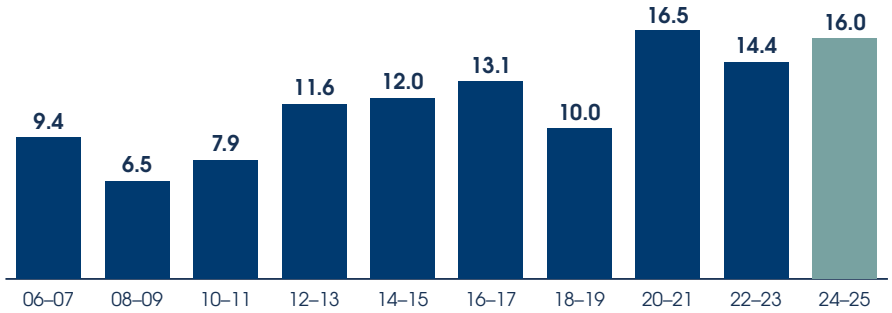
58%
of concluded searches acquired a company; about 48% for funds launched 2021–24

33.9%
aggregate pre-tax IRR (35.1% in the 2024 study)

4.75x
aggregate ROI (4.5x in the 2024 study)

2.88
public market equivalent against the S&P 500, reported for the first time

Figure 13.1 · Median purchase price by acquisition cohort (US$ millions)

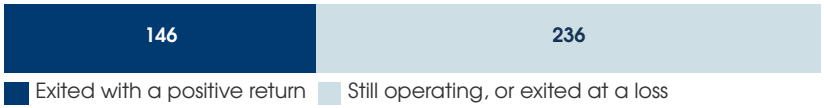


Cohorts 2006–07 to 2022–23: Stanford 2024 study (E870), Exhibit 5. 2024–25: Stanford 2026 study, the second-highest median on record. Median EBITDA multiples moved from about 4.9x (2008–09) to a peak of about 7.3x (2020–21) and 6.2x (2024–25).

Figure 13.2 · Where the 862 funds stand



Of the 382 acquisitions



382 acquisitions out of 656 concluded searches is the 58% acquisition rate. Roughly one acquisition in four has lost money for investors.

WHAT THE PRICE TREND MEANS

The median deal has more than doubled since 2008–09, from $6.5M to $16.0M, while the share of new searches that acquire has fallen from 86% (2007–10 launches) to about 48% (2021–24). More searchers, more competition and larger targets have made the U.S. search harder, which is one reason investors increasingly look abroad.

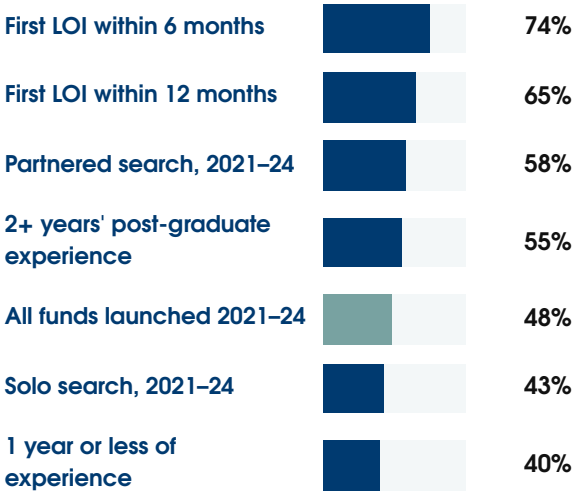
ETA WITHOUT BORDERS

These are North American results, shaped by U.S. debt markets (including SBA lending), seller expectations and a deep investor base. Read them as the benchmark, then compare Chapter 14.

Sources: Kelly, Zenios & Ng (2026), 2026 Search Fund Study: Selected Observations, Stanford GSB, E967; Stanford GSB Insights (2026).

WHAT MOVES THE ODDS, AND THE RETURNS

Figure 13.3 · Acquisition rate by searcher and process factor



For comparison, 86% of funds launched in 2007–10 acquired. Stanford attributes the decline roughly half to market conditions and competition and half to a wider range of searcher preparedness. Successful 2024–25 searchers signed an average of 2.5 LOIs, the first at about month seven.

WHY LOIS DIED (2024–25 SEARCHERS)

Diligence findings (about 79%), valuation gaps with the seller (45%) and lack of investor support (40%). Chapter 10 shows the same three failure layers from the European stage.

Table 13.1 · How the headline changes with the denominator

Universe	IRR	ROI
All funds (aggregate)	33.9%	4.75x
Exited funds only	39.3%	5.98x
Excluding funds that returned 10x or more	≈27%	≈2.8x
Excluding the top 10% of funds	≈20%	≈2.1x

Holding companies longer pushed ROI up and IRR down between the 2024 and 2026 studies. Funds that returned 10x or more were bought cheaply and long ago: a median purchase price of about $4.0M and a median acquisition year of 2012, against $6.7M for all other funds. Chapter 15 explains why investors should read every line of this table, not just the first.

THE SEARCHER-CEO'S OUTCOME

Among exited CEOs, about 22% earned $10M or more from their equity, and about 22% earned nothing. Outcomes are as skewed for operators as for investors.

The 2024–25 deal and searcher

Median purchase price	$16.0M
Median EBITDA	≈$2.5M
Median EBITDA multiple	6.2x
EBITDA margin	≈25%
Employees	≈30–40
Median searcher age · MBA	32 · ≈80%
Search capital per principal	≈$550K
Time to close	≈20 months

Services, software and education were the leading target industries; education recorded its highest number of acquisitions to date.

NEW IN 2026: LONG-DURATION ENTERPRISES

Stanford now tracks 67 LDEs separately. They typically raise $10–25M of committed capital, are built to hold for ten years or more, and 96% of those formed by 2023 have made at least one acquisition.

Sources: Kelly, Zenios & Ng (2026); WAD Capital Partners, Calder, Five Experts and ClearlyAcquired (2026).

SEARCH FUNDS WITHOUT BORDERS

IESE's 2026 study, published in October 2026, covers every known core search fund outside the U.S. and Canada through 31 December 2025. In 2025, for the first time, more search funds launched internationally than in North America.

492
core search funds in 48 countries since 1992 (320 in 40 at end-2023)

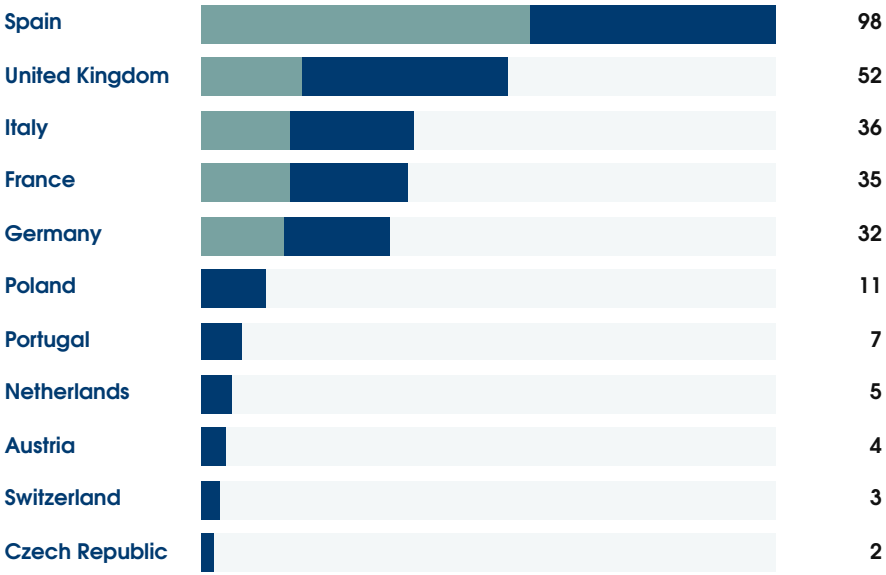
96 · 82
new funds in 2024 (a record) and 2025

216
acquisitions, 46 of them in 2025

73%
of concluded searches acquired (Europe 78.5%; U.S. and Canada 58%)

2.8x · 30%
aggregate ROI and IRR (2.0x and 18% in the 2024 study)

Figure 14.1 · Core search funds by European country, cumulative to 31 December 2025



Funds formed of which acquired, five largest markets (Spain 56, UK 17, Italy 15, France 15, Germany 14). One fund each in Belgium, Ireland, Latvia, Norway, Russia and Sweden; 291 funds across 17 European countries. Cumulative first-time core funds, excluding self-funded and other models. Source: Naranjo, Kowalewski, Kelly & Simon (2026), IESE.

EUROPE: ONE MARKET OR MANY?

Europe holds 291 of the 492 international funds and 135 of the 216 acquisitions. Capital may be pan-European, but seller, tax, labour, regulatory and financing realities remain national. Panel 2 offered a way to read any market (size of the SME pool, degree of intermediation, maturity of the search ecosystem) and Dr. Newton Campos a working ranking: **Spain leads; France is emerging with growing institutional support; the Nordics, the Netherlands, Belgium and Switzerland are frontier.** The new data agree: Spain alone has more funds than the UK and Italy combined, while Norway recorded its first fund in 2024–25 and Finland does not yet appear.

THE SUCCESSION OPPORTUNITY, AS CITED ON STAGE

About 150,000 European companies fail to transition ownership each year, of which roughly 30,000 are addressable by the core search methodology over ten years (Panel 1). The constraint is not capital or companies but committed operators.

TWO YEARS OF GROWTH

Between the end of 2023 and the end of 2025, known funds rose from 67 to 98 in Spain, 35 to 52 in the UK, 17 to 36 in Italy, 21 to 35 in France and 20 to 32 in Germany. Italy more than doubled.

INTERNATIONAL AND NORTH AMERICAN EVIDENCE, SIDE BY SIDE

Table 14.1 · International and North American search funds

	International · IESE 2026	U.S. & Canada · Stanford 2026
Universe	492 funds, 48 countries	862 funds
Acquisition rate (concluded)	73%	58%
Median search to close	21 months (20 for 2024–25)	≈20 months
Search capital, 2024–25	≈$502K from 15 investors; 6 months to raise	≈$550K per principal; 13 investors
Partnered searches	37% all-time; 31% in 2024–25	Just over one-third in 2024–25
Median price, 2024–25	$10M (all-time $12M)	$16.0M
EBITDA · margin, 2024–25	$2M · 28%	≈$2.5M · ≈25%
Median multiple, 2024–25	5.1x (all-time 5.7x)	6.2x
Employees	45 (all-time 50)	≈30–40
Aggregate ROI · IRR	2.8x · 30%	4.75x · 33.9%
Median outcome per acquisition	1.1x investor capital	Not reported
Exits	38 positive, 11 at a loss	146 positive

Sources: Naranjo, Kowalewski, Kelly & Simon (2026), IESE, ST-689-E; Kelly, Zenios & Ng (2026), Stanford GSB, E967. Dollar figures converted at historical rates.

EUROPE AND LATIN AMERICA

Europe: 135 of 172 concluded searches acquired (78.5%); 29 terminal funds, 22 positive exits and 7 losses; ROI 3.1x. Latin America: 67 of 96 acquired (69.8%); 19 terminal funds, 15 positive and 4 losses; ROI 2.6x. IESE finds the return difference not statistically significant.

WHAT SEARCHERS TARGET, AND BUY

2024–25 searchers looked at technology (75%), healthcare (67%), services (61%), manufacturing (59%) and transport and logistics (39%). Recent acquisitions were led by manufacturing (18), technology (17) and services (13). In 59% of deals, more than two-thirds of revenue was recurring.

RETURNS BY STATUS

Exited funds returned 4.0x (39% IRR); companies still operating are valued at 2.9x (33%); companies acquired and later shut down returned almost nothing (0.01x). The top fund returned 23.8x; excluding the top three funds, the aggregate is 2.6x and 25%.

WHO SEARCHES

The median 2024–25 principal is 34, five years older than a decade ago; 60% of new principals hold an MBA (71% across the study) and 19% launch within a year of graduating. Women remain 5% of principals overall and 7% since 2022.

PARTNERS LOSE LESS

Partnered international searches acquired 77.5% of the time against 69.9% for solo searches, and lost capital in 12% of cases against 27%.

SPOTLIGHT: FRANCE

370,000

companies whose leaders plan to transfer them within five years: 40% of French SME and mid-cap owners

≈130,000

transfers that would actually happen at today's pace: supply runs at nearly three times observed transactions

35 · 15

core search funds and acquisitions in France, up from 21 and 12 at end-2023 (IESE)

Sources: Bpifrance Le Lab & C.R.A (2025), *Transmission et reprise d'entreprise*; IESE (2026). Bpifrance also counted 26,000 transfers in 2024 against an annual potential of about 74,000 within its study scope.

WHY THE GAP PERSISTS

- **Sellers start late.** 70% of owners are only at the start of their thinking and 28% have not begun preparing, although a transfer takes at least 12–18 months to prepare.
- **Buyers hit walls.** 60% of buyers face significant obstacles at the outset, financing first.
- **The match is hard.** 23% of would-be sellers report too few offers, while 22% of external buyers struggle to find a company.
- **After the deal, people are the challenge.** One buyer in four cites human-resources management as a post-acquisition difficulty, and a third had to limit investment because of debt. Still, 70% of buyers reach their initial objectives.

WHAT IT MEANS FOR A SEARCHER

The question is not whether acquisition finance exists in France (banks, Bpifrance's transfer-financing tools and advisers all do) but whether that infrastructure fits a searcher's deal size and structure, and whether the searcher can start conversations with owners years before they are ready to sell.

WHAT SPEAKERS OBSERVED

- The local search-investor base is still small next to Spain and Germany; Florent Robineau raised more than 60% of his search capital abroad.
- Sellers often prefer an individual operator with a clear plan to an institutional buyer; a searcher may meet up to 50 employees during a deal.
- Labour law is demanding, many buyers chase the same companies, and a court-supervised route exists for distressed acquisitions.
- The HEC Business Buyers Club, a community of more than 2,000 acquirers, is building a structured acquirer curriculum with the HEC Paris – Dieter Schwarz Center for Family Business.

ETA WITHOUT BORDERS

Investors can diversify across borders more easily than a first-time CEO can split a search across unfamiliar countries. The same country can suit an investor and not a particular searcher.

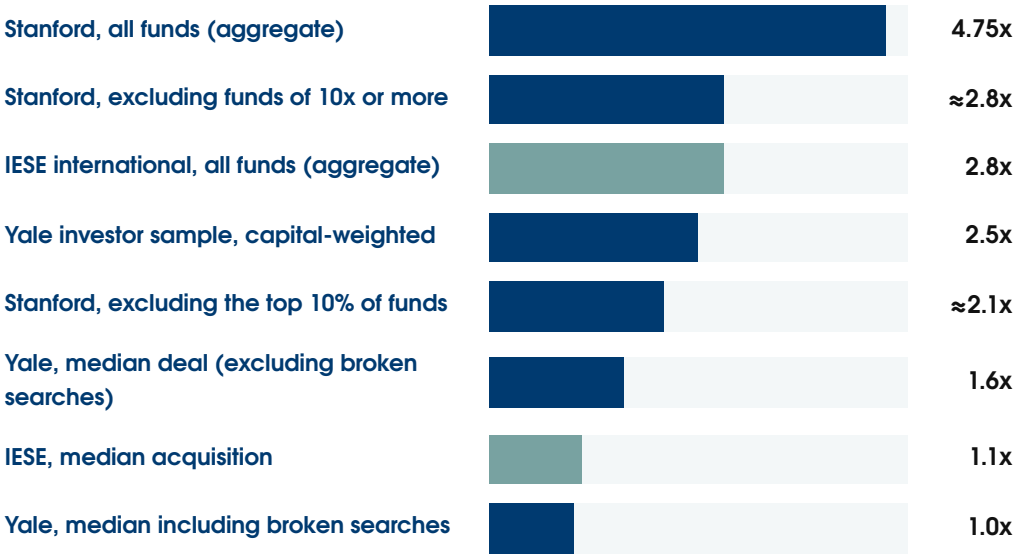
CHAPTER 15

WHAT THE 33.9% DOES NOT TELL YOU

33.9% aggregate IRR ≠ the average investor earns 33.9%.

An aggregate return describes the pooled outcome of a dataset, weighted toward its biggest winners. Any one investor's experience depends on which deals they were in, when, at what cheque size, in which currency, and after which fees and taxes.

Figure 15.1 · One asset class, eight answers (multiple of invested capital)



Sources: Kelly, Zenios & Ng (2026); Naranjo et al. (2026), IESE; Lazier, Thomas & Wasserstein (2025), Yale SOM. All gross of fund-of-funds fees and pre-tax. Yale's sample covers 12 investors, 23 funds and 1,192 selection decisions.

Read together, the bars say the same thing: the typical outcome sits between about 1x and 3x, and the headline multiple belongs to a small number of exceptional companies. That shape is why selection, access and portfolio breadth matter so much.

Figure 15.2 · From company-level value creation to an investor's realised return



FROM THE STAGE

- Real downside in failed deals can be far worse than the worst case in an Excel model (Panel 3).
- Deal-level and fund-level returns differ: WAD targets 43% at deal level and 35% at fund level (Panel 1).

TEN QUESTIONS TO ASK OF ANY HEADLINE RETURN

1 · AGGREGATE OR MEDIAN?

Aggregates weight every dollar, so a few "griffins" (10x or more) carry the pool. Stanford's 4.75x falls to about 2.8x without funds of 10x or more and to about 2.1x without the top decile. IESE's median acquisition returned 1.1x against a 2.8x aggregate.

2 · GROSS OR NET?

Stanford and IESE report pre-tax returns on the capital invested in each search fund. An investor who comes in through a fund of search funds earns less, after that vehicle's management fees and carried interest. Yale's investor figures are also gross.

3 · HOW DISPERSED, AND HOW OFTEN A LOSS?

About one U.S. acquisition in four has lost money for investors; 21% of IESE's international outcomes were losses. In Yale's sample, only 51% of backed entrepreneurs returned at least 1.0x (counting broken searches), only 31% of completed deals exceeded 3.0x, and about 2% exceeded 10x.

4 · A FAILED SEARCH, OR A FAILED ACQUISITION?

They cost very different amounts. In Yale's sample, broken searches consumed $17M of $700M deployed, about 2%. A failed acquisition loses the much larger acquisition cheque. Internationally, partnered searches lost capital in 12% of cases against 27% for solo searches.

5 · WHICH VINTAGE, AND HOW LONG HELD?

Young portfolios look worse on multiples and can look better on IRR. IESE's 2023–24 acquisitions show 2.3x after about two years; its 2017–20 acquisitions, 3.4x after six. Value tends to build from year three or four. Stanford's IRR fell from 35.1% to 33.9% as CEOs held longer, while ROI rose from 4.5x to 4.75x.

6 · WHO HAD ACCESS?

In Yale's sample of 12 investors and 23 funds, no investor matched the Stanford index. Lifetime multiples had a median of 2.39x and a maximum of 4.32x; most investors should expect 2.0–3.0x, roughly 15–25% IRR over five years. Investors with griffins in their portfolio outperformed in every band.

7 · HOW WAS THE PORTFOLIO BUILT?

Yale found no statistically significant link between number of deals and multiple in its small sample ($p = 0.52$), but recommends broad exposure and deliberate sizing, because outcomes follow a power law and missing the few big winners is the main risk.

8 · HOW MUCH WENT IN AT EACH STAGE?

A search-capital unit is small next to the pro-rata acquisition rights it unlocks, and stepped-up search capital earns a premium (Chapter 5). Two investors in the same fund can realise very different returns depending on which follow-on rights they exercise, and in which deals.

9 · IN WHICH CURRENCY?

IESE converts to U.S. dollars at historical rates. Recalculating 107 funds in local currency moved ROI by about +0.1x and IRR by less than a point on average, but single funds swung between –2x and +5x. The European subsample returned 3.0x in euros against 3.1x in dollars.

10 · HOW MATURE AND HOW SELF-REPORTED?

Both studies are surveys (IESE reached 94% of known funds). Operating companies are valued at principals' estimates, searcher equity is assumed fully vested, and IESE excludes 46 acquisitions under a year old. About a third of all international acquisitions closed in 2024–25, so the international record is still being written.

✓ KEY TAKEAWAYS

- Read the aggregate as the pool's return, not yours.
- Ask for medians, loss rates and returns excluding the top funds.
- Separate broken searches from failed acquisitions.
- Adjust for vintage, fees, tax and currency before comparing.

CHAPTER 16

IS ETA FOR YOU?

The day opened with an investor and an operator speaking from different chairs. They reached the same conclusion: clarity about yourself before clarity about the target.

PIERRE-PAUL BENOIT · LEFONDS CAPITAL

The searcher is first of all an investor of their own capital, and that capital is time and experience, not money. Before choosing between a traditional search fund, a self-funded search, an accelerator or a special situation, do due diligence on yourself: how much control you want, how much ownership, how much capital you bring, and whether every partner on your cap table agrees with your project. An experienced investor can read a searcher's maturity in under a minute; the polite answer to an immature project is not "no" but "come back in a few months".

BERTRAND DE POLY · MANTEA, HEC REPRENEURS

The sentence he hears most from people who have bought companies: "I should have started earlier." Two things people forget. First, acquisition is a family adventure: the ownership roller coaster (he has lived through two turnarounds, a pandemic and a components shortage) is not survivable alone, so alignment with your spouse comes at the front of the process. Second, "what's in it for them?": know why your investors invest and how they exit, and why your customers buy from you. And skip no audit.

Source: Campos (2026).

WHAT THE PANELS ADDED

- **The bottleneck is people.** Capital is abundant and so are businesses; Europe is short of qualified, committed operators (Panel 1).
- **Full time or not at all.** Sellers recognise partial effort, and deal quality rises with volume screened (Panel 1).
- **Nobody arrives complete.** Investors prioritise learning agility, curiosity and leadership capacity, and expect key gaps to close within six to twelve months of acquisition (Panel 3). Design the cap table to cover what you lack (Panel 1).
- **Have a right to win.** Platforms look for operating experience in the geography or sector of the thesis; WAD screened 2,500 profiles to select 25 operators and expects the role to be a final major career step (Panel 1).
- **Build local credibility.** Search where you have, or can credibly build, relationships with sellers, advisers and lenders (Panel 2).
- **Not ready to lead the whole process?** An accelerator may be the better first step (judges' checklist).

ETA WITHOUT BORDERS

For an international searcher, willingness to move and the ability to build local legitimacy can matter as much as financial skill.

SEARCHER, INVESTOR OR OPERATOR?

SEARCHER

SHOULD I BUY AND RUN A COMPANY?

- Do I actually want to run a company, day after day, for years?
- Can I tolerate an uncertain search of around two years, and broken deals?
- Am I willing to relocate, and where would sellers see me as one of them?
- Solo or partner? What would a second searcher have to bring?
- Which model fits my runway, control and ownership preferences?

HEARD ON THE DAY

Do due diligence on yourself before the target: control, ownership, capital and partner alignment (Pierre-Paul Benoit). The sentence buyers repeat most: "I should have started earlier" (Bertrand de Poly).

INVESTOR

SHOULD I BACK SEARCHERS?

- Do I want search-stage risk, or only acquisition-stage risk?
- What expertise can I add as a board member or adviser?
- How diversified should I be across searchers, vintages and countries?
- Which geographies and legal regimes do I actually understand?
- How will I decide quickly enough when a searcher has a live deal?

HEARD ON THE DAY

Search capital is the riskiest cheque; by the acquisition decision, investors have watched the searcher for about two years (Panel 3). Investors can diversify across borders more easily than searchers can (Panel 2).

OPERATOR

SHOULD I JOIN ONE?

- Join a searcher during the search, as an intern or analyst?
- Become CFO or COO after closing, filling the skill gap the CEO lacks?
- Advise as a sector specialist or board member?
- Build the experience now for a search of my own later?

HEARD ON THE DAY

A solo CEO often recruits a CFO or CRO once the company's real needs are known (Panel 1), and investors expect key skill gaps closed within six to twelve months of acquisition (Panel 3).

SEVEN FINDINGS FROM 19 SEPTEMBER

Four panels, two addresses and a day of conversation, distilled into the findings that held across speakers, markets and chairs.

1 People are the bottleneck

Capital is abundant and companies for sale are plentiful. The scarce input is qualified, committed operators, so a searcher should build a cap table that covers the gaps in their own experience.

PANEL 1

2 Know yourself before the target

Control, ownership, capital and partner alignment decide the right route: traditional, self-funded, accelerator or sponsored. An experienced investor can read a searcher's maturity in minutes.

OPENING ADDRESS · PANEL 1

3 Read each market on three axes

The size of the SME pool, the degree of M&A intermediation and the maturity of the local search ecosystem explain more than any country ranking.

PANEL 2

4 The proprietary window is closing

Southern European founders who had never been approached now hear from brokers. The unintermediated opportunity is real, and it will not last.

PANEL 2

5 The edge is legacy, not price

In auctions, private equity usually wins. Off-market, a committed successor can compete on continuity, trust and legacy.

PANELS 2 AND 3

6 Deals die on trust, financing and unexamined risk

Scope diligence to where the risk sits, run several lenders in parallel, raise price issues as soon as they appear, and walk away from a seller who reopens price at closing.

PANEL 3

7 The first 100 days begin before closing

Authority, employee trust and a working board are earned. The pace of change should follow the evidence, not a calendar.

PANEL 4

WHAT IT MEANS

FOR SEARCHERS

- Search where you hold an unfair advantage: language, network or sector.
- Map lenders, advisers and tax rules before counting targets.
- Source through accountants and auditors, not auction brokers.
- Reach closing with a 100-day plan and the founder's transition agreed.

FOR INVESTORS

- Underwrite the operator and opportunity within their local market.
- In newer markets, fund the learning: lender education, local counsel and longer timelines.
- Require a credible plan for local relationships, leadership and execution.
- Agree day-100 expectations and intervention triggers before closing.

FOR OPERATORS

- Stabilise before changing: customers, key staff and cash come first.
- Take authority from the founder visibly, and build governance early.
- Share the playbook; the next searcher's success strengthens the whole ecosystem.

ETA WITHOUT BORDERS BEYOND 2026

ETA Without Borders was created to connect the investors, operators, searchers and institutions building Europe's next generation of business ownership. The first edition showed the demand. The mandate now is to make that connection permanent, through four lines of work.

01

CONVENE

FUTURE CONFERENCES

Return to Paris with the cross-border format that defined 2026: country perspectives on every panel, investors and searchers in the same room, and time set aside for owners and advisers. Between editions, add country roundtables and smaller sessions hosted with partner schools.

02

RESEARCH

A LIVING EUROPEAN REFERENCE

Keep this guidebook current as the IESE, Stanford and Yale studies publish, and add the European evidence the field still lacks: deal terms, seller motivation, acquisition lending and post-acquisition outcomes by country. Publish the conference record through the magazine and the permanent website now in preparation.

03

TALENT

STUDENTS, SCHOOLS AND EARLY CAREERS

Show students and young professionals that owning and running a business is a real career path, and what each route demands, from a solo search to a CEO-in-residence cohort. Grow the Search Fund Competition beyond the 2026 field of HEC Paris and Esade, and work with the Dieter Schwarz Center and the HEC Business Buyers Club on their acquirer curriculum.

04

ECOSYSTEM

CONNECTIONS THAT OUTLAST THE DAY

Connect searchers with investors, lenders, advisers and family-business owners across borders. Help newer markets such as the Nordics, Benelux and Switzerland borrow the playbooks of mature ones, and bring succession-ready owners and their advisers into the conversation earlier.

✓ HOW PROGRESS WILL BE MEASURED

The size and international mix of each edition; the schools and teams in the competition; research updates published; and, over time, the searches launched and acquisitions completed by members of this community.

GET INVOLVED

Speakers, sponsors, schools and researchers who want to shape the next edition can reach the organising team through **etawithoutborders.fr**.

ACKNOWLEDGEMENTS

TO OUR 2026 SPONSORS

Your support made it possible to bring searchers, investors, operators, advisers and students together for a day in Paris, and to turn what they shared into this guidebook. Thank you for backing the next generation of European acquisition entrepreneurs.

Innesto Partners

WAD Capital Partners

Stek

SVZ (Sekri Valentin Zerrouk)

Matrila

HEC Paris – Dieter Schwarz Center for Family Business

ORGANISING TEAM

James Pfeifer
Founder and Conference Chair · Master of ceremonies · HEC Paris Search Fund Club Advisory Board

Mahek Mowar
Executive Director · Master of ceremonies · Co-President, HEC Paris Search Fund Club

Noémie Rideau
Operations Coordinator · Co-President, HEC Paris Search Fund Club

Alfredo Ariosto Acosta
Content Coordinator · HEC Paris Search Fund Club Advisory Board

All four are HEC Paris MBA candidates.

INSTITUTIONAL HOST

The HEC Paris – Dieter Schwarz Center for Family Business, under whose umbrella the conference ran, with its Executive Director, Dr. Cécile de Lisle; and the HEC Paris MBA Program, with Brad Harris, Associate Dean of MBA Programs, who introduced Panel 2.

OPENING AND CLOSING

James Pfeifer welcomed the room before the opening address. The closing address, "The Future of ETA", was given by Dr. Cécile de Lisle and Simon Bores Llanos (Istria Capital), followed by closing remarks from James Pfeifer and Mahek Mowar, who announced the Search Fund Competition winners.

EDITORIAL AND RESEARCH CREDITS

- **Editorial chapters:** HEC Paris Search Fund Club.
- **Conference write-up and photographs:** Dr. Newton Campos, Newton Equity Partners (20 September 2026).
- **Editors:** ETA Without Borders organising team.

WITH THE SUPPORT OF

Istria Capital, evolutiq, MANTEA, LeFonds Capital, MMP Capital and Vire Capital, whose partners and founders took part on stage, together with HEC Paris and its MBA programme.

TO EVERYONE IN THE ROOM

To every speaker, moderator, judge, volunteer and attendee, and to the student teams from HEC Paris and Esade who pitched in the Search Fund Competition. Academic sources are credited in Chapter 18.

SPONSORS & PARTNERS

ETA Without Borders 2026 was made possible by our sponsors. Thank you.

Innesto Partners

SEARCH-FUND INVESTOR

Backs motivated entrepreneurs to search for, buy and operate a private, profitable small business, staying close through the acquisition and supporting them after closing.

On stage: Joachim de Belgique (Panel 4) and Miguel Indekeu (Panel 3)

WAD Capital Partners

INSTITUTIONAL ETA INVESTOR

Belgian investor that backs executives who acquire and grow established European SMEs with €1–5m EBITDA, particularly in succession situations, including through its CEO-in-Residence programme.

On stage: Christopher Tournis Gamble (Panel 1)

Stek

BUSINESS LAW · AMSTERDAM

Independent Dutch business law firm advising on corporate, finance, regulatory and restructuring matters, including Dutch search funds and their acquisitions.

On stage: Ruben Tros (Panel 3)

SVZ

BUSINESS LAW · PARIS

Sekri Valentin Zerrouk, a Paris business law firm of more than 70 lawyers, active in M&A and private equity, financing, tax and employment.

Legal partner to the conference

Matrila

OFF-MARKET DEAL ORIGINATION

French company that helps search funds, acquirers and M&A advisers identify and document companies before they enter a formal sale process.

On stage: Maxence Lapras, AI for searchers

HEC Paris – Dieter Schwarz Center for Family Business

ACADEMIC HOST

The HEC Paris centre for family-business research, teaching and succession. ETA Without Borders ran under its umbrella.

Dr. Cécile de Lisle, Executive Director

CHAPTER 17

ETA GLOSSARY

A

Acquisition capital
The equity, debt and seller financing raised to buy a specific, identified company. A separate and much larger decision than search capital.

Acquisition vehicle (BidCo, AcquisitionCo, NewCo)
The company formed or activated to buy the target and hold it after closing.

AIF / AIFM
Alternative Investment Fund and its manager under the EU AIFMD. Whether a search vehicle is an AIF depends on substance, not on the label "search fund".

AML / KYC
Anti-money-laundering and know-your-customer checks that banks, lawyers and service providers run on investors and their sources of funds.

Asset-based lending
Debt secured on receivables, inventory or other collateral and sized by a borrowing base.

B

Basket / de minimis
SPA thresholds below which warranty claims cannot be brought.

Binding commitment
A capital provider's final commitment to a specific deal; distinct from a funding indication or an investment approval, which remain conditional.

C

Catch-up
An optional waterfall step that rebalances distributions toward the searcher once investors' preference has been met.

Completion accounts
A price mechanism that adjusts the price after closing from accounts drawn up at completion. Compare *locked box*.

Conditions precedent
Events that must occur (approvals, consents, financing) before a signed deal can close.

Core search fund
The traditional funded model as defined in the Stanford and IESE studies; excludes self-funded and other variants.

Cumulative funds formed
All historical launches, including funds that acquired, stopped or changed model. Not a measure of active competition today.

D

Declaración responsable
A Spanish self-declaration of regulatory compliance. A filed declaration does not prove the underlying facts are accurate.

Deferred consideration
Fixed purchase price paid after closing; delayed but not usually contingent on performance.

Direct acquisition
An ETA route in which equity is raised around an identified deal rather than for a blind search.

Disclosure letter
The seller's document qualifying the SPA warranties by disclosing known exceptions.

Drag-along / tag-along
Rights letting a majority require minorities to join a sale (drag), or letting minorities join a sale on the same terms (tag).

E

Earn-out
Contingent consideration tied to post-closing performance. Definitions and control often matter more than the amount.

EIR (entrepreneur-in-residence)
A sponsored-search variant in which the future operator searches from inside an investment organisation.

Escrow / holdback
Part of the price retained to secure claims: risk allocation, not acquisition financing.

ETA (entrepreneurship through acquisition)
Buying an existing business and taking responsibility for leading and developing it as owner-operator.

Exclusivity
A period, often around three months, during which the seller agrees not to negotiate with other buyers.

F

FDI screening
Government review of foreign investment in sensitive sectors, often looking through intermediate entities to ultimate control.

Fully diluted ownership
Ownership after all options, unvested shares and planned issuances. The figure that matters, not the day-one headline.

G

Good leaver / bad leaver
Provisions setting what a departing manager keeps or must sell, and at what price, depending on the circumstances of departure. Purchased, vested and unvested equity should be identified separately.

H

Heads of Terms
The common European term for an LOI.

HoldCo
A holding company that owns the operating business; in long-duration models it may own several.

I

Indicative offer (IOI)
An early, non-binding price range used to establish whether a deal is worth pursuing.

IRR
Internal rate of return: the annualised return that accounts for the timing of cash flows.

L

LDE (long-duration enterprise)
An ETA vehicle designed to own and compound for decades rather than to exit; tracked separately by Stanford from 2026.

Leverage
Debt used to finance part of the price. It reduces the equity cheque and amplifies returns, but creates fixed claims on cash flow.

L

Liquidation preference
An investor's right to be repaid (for example 1x invested capital) before common equity receives proceeds; "participating" if investors also share in the remainder.

LOI (letter of intent)
Records headline terms and the deal roadmap. Often non-binding on completion but binding on confidentiality, exclusivity, costs or governing law.

Locked box
A price fixed by reference to historical accounts, with protection against value leaking to the seller after the locked-box date.

M

Merger control
Competition review of transactions. National thresholds can catch deals far below EU thresholds.

Mezzanine / subordinated debt
Debt ranking behind senior lenders, at a higher return.

MOIC / ROI
Multiple on invested capital: total value returned divided by capital invested.

N

NDA
Non-disclosure agreement permitting confidential discussions with a seller.

Normalised earnings
An estimate of repeatable operating performance. Cash available to fund the company and repay debt also depends on working capital, capex and tax.

P

Participation exemption
Tax relief on qualifying dividends or gains between companies, subject to holding thresholds and periods that vary by country.

Performance tranche
Searcher equity that vests only if investors' realised return clears agreed hurdles (for example, between 20% and 35% IRR).

PME (public market equivalent)
Compares private returns with what the same cash flows would have earned in a public index; above 1.0 indicates outperformance.

Post-LOI attrition
Signed LOIs that do not reach completion. Different from a search that ends without any acquisition.

Pre-emption (pro-rata) right
A shareholder's right to subscribe for new shares to maintain its percentage.

Preferred equity
An investor security ranking ahead of common equity, sometimes with a coupon. In Europe it may be implemented through shareholder loans.

Q

QoE (quality of earnings)
A diligence review of how sustainable and cash-backed a target's reported earnings are.

R

Right to win
Operating experience in the geography or sector of the thesis that gives a searcher an edge (Panel 1).

Rollover
Reinvestment by the seller or managers of part of their proceeds into the buyer's equity.

S

Screened target universe
A searcher's estimate of companies passing their own filters. Mandate-specific; may overlap with peers'.

Search capital
Funding for the search period (salary, travel, tools, broken deals) before any target is known.

Search fund (traditional)
Investors fund a searcher's search and receive the right, not the obligation, to fund the acquisition; the searcher becomes CEO and earns equity.

Searcher
The entrepreneur who searches for, acquires and then leads the company.

Secretary problem
A classic optimal-stopping puzzle: observe early options to set a benchmark, then choose the first that beats it. Used in Panel 3 as an analogy for learning before committing.

Self-funded search
The entrepreneur pays for the search; outside equity, debt and seller financing may still fund the acquisition.

SHA
Shareholders' agreement governing rights among owners.

SPA
Share purchase agreement: the main acquisition contract, allocating price and risk.

Sponsored search
A search backed by one institution or a concentrated sponsor group, often with committed acquisition capital.

SPV
Special-purpose vehicle formed for one investment or project.

Step-up
Search capital credited into the acquisition at a premium (for example 1.5x) to compensate early risk.

Succession intentions
Companies whose owners plan or consider a transfer; not necessarily marketed businesses or completed sales.

U

UBO
Ultimate beneficial owner: the natural person or persons who ultimately own or control an entity.

Unitranche
A single blended debt facility, typically from a private-credit lender.

V

Vendor loan (seller note)
Part of the price left as a loan from the seller, usually subordinated to senior debt. See Chapter 10.

Vesting
How a searcher earns equity over time, commonly through acquisition, time and performance tranches.

W

W&I insurance
Warranty and indemnity insurance covering losses from breaches of SPA warranties.

Waterfall
The order in which exit proceeds are distributed among security holders.

Working capital
Receivables plus inventory less payables. A buyer may need to fund an increase at closing.

CHAPTER 18

FURTHER READING & BIBLIOGRAPHY

START HERE · SCAN TO OPEN

Stanford GSB (2026) 2026 Search Fund Study. The North American dataset.

Stanford GSB (2026) A Primer on Search Funds. Mechanics and templates.

IESE (2026) International Search Funds 2026. The international dataset.

Yale SOM (2025) How Are Search Fund Investors Really Faring?

Ruback & Yudkoff (2017) HBR Guide to Buying a Small Business.

DATA AND EVIDENCE · CHAPTERS 1, 4 AND 13–15

Kelly, P., Zenios, S., & Ng, D. (2026). *2026 Search Fund Study: Selected Observations* (E967). Stanford Graduate School of Business. gsb.stanford.edu

Kelly, P., & Heston, S. (2024). *2024 Search Fund Study: Selected Observations* (E870). Stanford Graduate School of Business.

Naranjo, J., Kowalewski, A.-S., Kelly, P., & Simon, J. (2026). *International Search Funds — 2026: Selected Observations* (ST-689-E). IESE Business School. iese.edu/media/research/pdfs/ST-0689-E

Kowalewski, A.-S., Kelly, P., Simon, J., & Johnson, R. (2024). *International Search Funds — 2024: Selected Observations* (ST-658-E). IESE Business School.

Lazier, D., Thomas, J., & Wasserstein, A. J. (2025, October 27). *How Are Search Fund Investors Really Faring?* Yale School of Management.

Stanford GSB Insights. (2026). *Search funds keep offering a proven path to ownership.* IESE Insight. (2026, October 14). *Search funds' record expansion.* IESE Insight. (2024, September 18). *Search funds asset class maintains global growth.*

Published summaries of the 2026 Stanford study used for detailed figures: WAD Capital Partners. (2026). *What the 2026 Stanford Search Fund Study says about Europe*; Calder. (2026). *Acquisition search is getting harder*; Five Experts. (2026). *What Stanford's 2026 Search Fund Study tells aspiring searchers* and *Anatomy of a search fund acquisition*; ClearlyAcquired. (2026). *The 2026 Stanford Search Fund Study: what it means for investors.*

HISTORY, MODELS AND ECONOMICS · CHAPTERS 1–5

Kelly, P., Ng, D., Latypov, K., & Makinen, J. (2026). *A Primer on Search Funds: A Practical Guide for Entrepreneurs Embarking on a Search Fund* (E958). Stanford GSB. Earlier edition (2021) cited in Chapter 2 as Kelly & Heston (2021).

Ellis, R., & Wismer, L. (2009). *Models of Entrepreneurship Through Acquisition* (E365). Stanford GSB.

Hodgkin, A. (2016). *The Self-Funded Search.* Polsky Center for Entrepreneurship and Innovation, University of Chicago.

Dennis, B., & Laseca, E. (2016). *The Evolution of Entrepreneurship Through Acquisition.* Chicago Booth, Polsky Center.

Grousbeck, H. I. (1986). *Jim Southern* (Case 387-009). Harvard Business School.

Rice, N., & Wasserstein, A. J. (2021). *Exploring Various Search Fund Structures.* Yale School of Management.

Rilling, J., Webster, S., Bransden, P., & Wasserstein, A. J. (2023). *A Reference Guide on European Search Funds.* Yale School of Management.

Goel, N., Wyma, N., Wexler, R., O'Connor, B., & Wasserstein, A. J. (2023). *Exploring Search Fund Entrepreneur Economics.* Yale School of Management.

Johnson, R., & Simon, J. (2017). *Re-Thinking Search Fund Incentive Structures* (ST-452-E). IESE Business School.

Ruback, R. S., & Yudkoff, R. (2017). Buying your way into entrepreneurship. *Harvard Business Review*, January–February.

Stanford GSB, Grousbeck-Holloway Center for Entrepreneurial Studies. *Search Funds* research centre. IESE Business School. *International Search Fund Center.* Pacific Lake Partners. *Jim Southern* biography.

LEGAL, REGULATORY AND TAX · CHAPTERS 6–7

CMS. (2026). *European M&A Study 2026.* cms.law

European Parliament & Council. (2011, consolidated 16 April 2026). Directive 2011/61/EU on Alternative Investment Fund Managers; AIFMD II amendments (2024). eur-lex.europa.eu

ESMA. (2013). *Guidelines on key concepts of the AIFMD* (ESMA/2013/611).

AMF. (2026, July 24). Alert on the AIF qualification of certain investment vehicles issuing bonds. amf-france.org

European Commission. (2026, June 26). *EU strengthens its foreign investment screening framework.* policy.trade.ec.europa.eu

Direction générale du Trésor. *Les conditions d'une opération soumise à autorisation préalable* (foreign-investment screening in France). tresor.economie.gouv.fr

Financial Conduct Authority. (2026, August 5). *National Private Placement Regime*; CP26/28 on UK AIFM reform. fca.org.uk

European Commission. Parent–Subsidiary Directive (2011/96/EU) and EU merger-control overview. OECD. *Model Tax Convention.* UK. National Security and Investment Act 2021.

Stek. (2026, January 22). *Searcher Start-Up Manual.* stek.com

EUROPE, SUCCESSION AND COUNTRY CONTEXT · CHAPTERS 7, 9 AND 14

Bpifrance Le Lab & C.R.A. (2025). *Transmission et reprise d'entreprise : perspectives de marché.* Bpifrance Création. (2025). *Quel est le marché de la reprise d'entreprise ?* and *Plan Transmission TPE.* bpifrance-creation.fr

Direction générale des Entreprises. (2026, April 23). *Transmission et reprise d'entreprise.* entreprises.gouv.fr

KfW Research. (2026, January 9). *Nachfolge-Monitoring Mittelstand 2025* (Fokus Volkswirtschaft No. 526). KfW. *Business succession financing.* kfw.de

Finnish Business Transfer Forum. (2026). Ownership-transfer market and expert network. Finnvera. Loans and guarantees. ov-foorumi.fi · finnvera.fi

Portuguese Tax Authority. Corporate Income Tax Code, Article 51. PwC. *Worldwide Tax Summaries: Portugal.*

OPERATING AND LEADERSHIP · CHAPTERS 11–12

Rosenthal, S., & Simon, J. (2024). *Search Fund Transformations: A Path to Excellence* (ST-659-E). IESE Business School.

Dodson, D. *The Manager's Handbook.* Innesto Partners. Published search-fund model and post-acquisition learning phase. innestopartners.com

BOOKS

Ruback, R. S., & Yudkoff, R. (2017). *HBR Guide to Buying a Small Business.* Harvard Business Review Press.

Simon, J. *Search Funds & Entrepreneurial Acquisitions.* IESE Business School.

CONFERENCE SOURCES

Campos, N. (2026, September 20). *What You Missed at EtA Without Borders at HEC Paris, September 2026.* LinkedIn.

ETA Without Borders. (2026). Panel notes and speaker interviews, September 2026.

Speaker biographies: speakers' firm websites and public profiles.

ETA Without Borders. (2026). *Panels & Speakers, Sponsors, Planning Committee* and *Agenda* pages. etawithoutborders.fr (accessed 22 October 2026).

ETA Without Borders. (2026). Registration and attendance figures.

SPEAKERS & CONTRIBUTORS

Name	Organisation	At the conference
Pierre-Paul Benoit	LeFonds Capital	Opening address
Bertrand de Poly	MANTEA; HEC Repreneurs	Opening address
Marc Bartomeus	Ariol Capital; Albira Investments	Moderator, Panel 1; Panel 4
Bruno Lucas	Hexagon Transmission Capital	Panel 1
Guillaume de Braquilanges	Orhata Capital Partners	Panel 1
César Ortiz Sotelo	Entrepreneur (industrial and infrastructure)	Panel 1
Christopher Tournis Gamble	WAD Capital Partners	Panel 1
Brad Harris	HEC Paris (Associate Dean, MBA Programs)	Introduced Panel 2
Simon Bores Llanos	Istria Capital	Moderator, Panel 2; closing address
Newton Campos	Newton Equity Partners; IE Business School	Panel 2; competition judge
Daniel Perthes	evolutiq	Panel 2
Florent Robineau	Kensington Capital	Panel 2
Miguel Marques Paulo	MMP Capital	Panel 2

Name	Organisation	At the conference
Anna Kaukkila	Vire Capital	Panel 2
Gonzalo Veuthey	INSEAD search-fund community	Moderator, Panel 3
Juan Cuesta	ONEtoONE Asset Management	Panel 3
Jaume Argerich	Inveready; Aniol Family Office	Panel 3
Ruben Tros	Stek	Panel 3
Miguel Indekeu	Innesto Partners	Panel 3
Tiphaine Saltini	HEC Paris – Dieter Schwarz Center for Family Business	Moderator, Panel 4
Adrian Carniol	Novadvice	Panel 4
Joachim de Belgique	Innesto Partners	Panel 4
Guy-Louis de le Vingne	Nex-Volta (Mignone)	Panel 4
Maxence Lapras	Matrila (founder)	Session: AI for searchers
Cécile de Lisle	HEC Paris – Dieter Schwarz Center for Family Business	Closing address
James Pfeifer	ETA Without Borders; HEC Paris MBA	Founder and Conference Chair; MC
Mahek Mowar	ETA Without Borders; HEC Paris MBA	Executive Director; MC

Affiliations as of September 2026, from public biographies and the conference record.



Photos: Newton Campos

HEC PARIS MBA PROGRAM

ETA WITHOUT BORDERS

HEC PARIS SEARCH FUND CLUB
INAUGURAL CONFERENCE GUIDEBOOK 2026

etawithoutborders.fr

HEC Paris MBA · HEC Paris Search Fund Club

2026 SPONSORS

INNESTO PARTNERS · WAD CAPITAL · stek · SEKRI VALENTIN ZERROUK · MATRILA · HEC PARIS | Dieter Schwarz Foundation FAMILY BUSINESS center

Published October 2026 by ETA Without Borders, Paris. Not investment, legal or tax advice.

