

# In The Trenches\_ Conversation with Zac Carman

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## **SUMMARY KEYWORDS**

long-term hold, acquisition entrepreneurship, financial due diligence, liquidity management, investor alignment, personal brand, leadership building, market opportunity, business durability, financial modeling, entrepreneurial journey, wealth concentration, operational excellence, investor sentence, liquidity options

## **SPEAKERS**

Zac Carman, Steve Divitkos

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**S****Steve Divitkos 00:00**

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**Z****Zac Carman 03:05**

Steve, thanks for having me.

**S****Steve Divitkos 03:07**

It's great to have you here. We've crossed paths a couple of times over the past decade or so, so I'm directionally familiar with your story, but many folks listening to this might not be so maybe we'll start there. Maybe just walk us through the chronology of your career and speak to some of the major stops along the way that have led you to what you're doing today.

z

Zac Carman 03:26

Yeah, well, I studied engineering, and I think engineering is a big part of me and but while I was studying engineering, there was a woman in college who sent an email out saying, Hey, I have some money and a budget for somebody to develop a website. And I'd never built a website, but I definitely needed some money, and so I was quick to reply, and that then kind of made me be, I built her a website, and then I kind of was the guy, this was in the late 90s, so, like that was the guy around college that could build websites. And so I started building websites, and there was a startup community there. And through that, I ended up building a website for an investor, and that culminated in me taking time off from school and basically being his personal assistant, and keeping his star tech charged and faxing things. And through the end, he had just raised a venture fund. And so through that experience, I got exposed to being an entrepreneur, and I never been exposed to that. My parents are both artists, so I kind of grew up not knowing anything about business being, you know, my parents are the worst business people ever, because they're artists. So I just didn't even know about that journey. I think life is a lot about being exposed to things. And so I came out of that just wanting to be an entrepreneur. So I abandoned studying material science. And engineering when I got back to school and started studying sculpture and trying to start businesses, and then I did whatever I could to get to the Bay Area after college, so I took an engineering job out there and tried to start a company, totally failed. It was through that failure that my girlfriend, at the time, could have kicked me out because I was so sad, and taking my life savings and put it in this thing. And that failure sort of led me to the belief that, like, either I was bad or this idea was bad, or likely my co founder was bad. No, just kidding, but you know, I needed to become an investor, so I ended up taking a pay cut, like a 60% pay cut, to go join this sort of upstart growth equity shop and be a cold call associate. And so while there. And what was fascinating about it to me was, at the time, they were investing in Bootstrap two to 10 million free cash flow, growing greater than 50% gross profit, a direct flight from San Francisco in a billion dollar, fragmented market. And I was like, Wow, could there be a better way to learn about what's a good entrepreneur, what's a good business, than people that sort of hung out a shingle, and fast forward later, and built these 10 million free cash flow businesses. And I'm literally getting paid to just cold call those people and talk to them. And so I did that. I think the first 18 months I was there, I built a database of 6000 companies, made 8500 cold calls and talked to 2500 entrepreneurs that flew to 400 companies. And by then, I had tricked my girlfriend into marrying me, that same one that had kicked me out and she needed a job up in San Francisco. And the guy that I worked for had gone to GSB, and he knew these guys who had bought a search had done a search fund, and they had bought a business, and she went to work there, kind of early in that business. But it was like one of these knock the cover off the ball outcomes. And I sort of watched that, and I was super vain. And I'm like, those guys can do it. I can do it. And so when she got pregnant, I tricked her again into saying, like, oh, let's leave San Francisco. We'll move to Tulsa, and I'll do a search fund. And that was in oh nine. And I think, yeah, so I searched out of our bedroom to find a business, and no one in like, my search was very alternative, because I wanted to do internet media and I wanted to do software as a service, and this was '09, so the community wasn't really ready for those things, I think, at the time, but a few folks invested, and it worked out.

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Steve Divitkos 08:11

So when did you acquire your company?

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Zac Carman 08:13

We bought the business in September of 2010. So I started this search, like, I think in spring of '09 and closed in fall of '10.

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Steve Divitkos 08:24

So you have been the CEO of [consumeraffairs.com](http://consumeraffairs.com) for over 14 years now. When you first identified the company, were you explicitly contemplating a long term hold strategy?

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Zac Carman 08:38

No, no way. No. You kidding me? I was like, I thought for sure I'd buy something like, I 10X it in like, six months, and, like, flip it. And this has got to be easy. Like, I'll just, like, recap this thing or sell this thing and then do something else. No, no, no. No, I was not thinking about that. This would be a career explicitly, I think I well, I think, like, you know, I developed some great pitch to tell investors when I was raising a search like, oh man. Like, why do you want to go do a search? Like, you're successful in private equity. You're enjoying private equity, theoretically. What I said at the time turned out to be true, which is when you could call a business, like a like an industry is like a ream of paper, and when you could call a business, you're exposed to like the top sheet of a ream. And maybe when you, like, get to know an entrepreneur, and you make an investment, and you do some due diligence, you're getting like, 15 pages that ream. And I just want to find a really great ream and go all the way. So I thought I was so clever saying that, because, I thought that'll really connect the dots, and it's like memorable and but it's true. It's true, actually.

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Steve Divitkos 10:07

So if the long term hold strategy wasn't deliberate as of day one, and it was perhaps more emergent in nature, at what point did the long term hold strategy first emerge as a viable alternative for you?

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Zac Carman 10:27

It was definitely emergent. I think the reality is, if that ream is deep enough, you just kind of put your head down, and every single day you're flipping back pages in it, and the ream, isn't it is a analog for the magnitude of the TAM and the magnitude of the opportunity, right? And the durability of the opportunity, and that that'll just reveal itself. I think you just keep going and you keep shoveling. Every single day the hole gets bigger.

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Steve Divitkos 11:10

Was there a moment in time where either you had a conversation with yourself, or maybe you had a conversation with your investors, where you explicitly discussed the merits of holding this for a period of time that's considerably longer than the search fund average?

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Zac Carman 11:27

Not a moment in time, I think, like so when we bought the business, it was very small, like maybe 600k TTM, a million on a run rate basis. And I bought the business with, like, you know, maybe 100k in working capital, 25,000 bucks in the bank, something like that. And that was in '10. So then, you know, by '16, we were maybe, like, 20, 25 million in revenue. And people were like, Oh, this is a great outcome. We should think about recapping the business. And that was when I sort of and we went through a process, and ultimately we didn't do a transaction. And it was during that process, actually, that I sort of wrote, I have this thing I call it the investor sentence at my company, and I teach my the employees, the leadership team, about the investor sentence. And it's sort of like whenever you're talking to an investor, it comes actually from Goodfellas. So there's a scene in Goodfellas where they're talking about poly becoming investor. It's the famous F you, pay me sort of Ray Loyota speech. And you know, whenever you're talking to an investor, whatever they're saying, they're saying, Where is my money? Give me my money, that's what they're saying. No matter what they're saying, that's what they're actually saying. Where's my money? And all of the questions and all of those conversations are about that, and I think that's actually happening all of the time. And so what we need to say back is the investor sentence. And the investor sentence is, I know, I know you want your money. We are working really hard making thoughtful, risk, reward based investments to deliver you a higher IRR and moic in this asset class, and you can get anywhere else. And if you don't believe me, I will work really hard to get you your money. Otherwise, you're welcome. And then we break that like, kind of like third grade sentence diagramming. Have an Excel sheet of this. We break it into, I know you want your money. We are working really hard. We are being thoughtful, risk reward based investments delivering you a higher IR and MOIC in this asset class. And then, how do we say those things to investors? We're always thinking about building EV. We build long, tedious analyzes and decks. We do deep strategy analysis and deep thinking. We analyze our investments. We articulate OKRs and organizational building. We we deliver a higher IRR and MOIC, is sufficiency of tam product, Market Fit analyzes, exit conversations. This asset class, we do competitive analyzes, we do risk analysis, we do comp sets, sort of, and then you do those things on different cadences, and I think you're just consistently demonstrating that to folks. And whether it's long hold or not, it reveals itself. So maybe it was 2016 I mean, there have been moments in my life, where you're, you know, you've got to, you have to look yourself in the mirror constantly and say, am I the right person to be doing this still? Is my life wired correctly to be doing this? But I think it's like it just comes down to sufficiency of opportunity.

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Steve Divitkos 15:24

I'd love for people to better understand the commercial and perhaps personal rationale for a long term hold. So in your specific case, can you just talk to why you think a long term hold strategy makes the most economic sense for you and for your investors? Like, is there something about the business or the industry, or maybe even your own personal circumstances that lends itself particularly well to a long term hold?

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Zac Carman 15:52

So I go back to that magnitude thing. So businesses are so interesting to me, and financial modeling too. Like I love building financial model, I don't get to do it enough now, because there's really only one. But you know, the the three statements interact and describe this little being that is a business, and that business inhales and exhales cash in certain ways, and is a representation of the market that it lives in. And for our business, you know, our business is, in essence, we teach consumers how to buy things connected to life's hardest moments. And there are 55 really hard moments in your life, and they're the things that we don't like. It's getting married and moving across the country, going through a financial crisis, dealing with addiction, sort of aging. These are long arc, difficult moments that are stressful and connected to something like a third of consumption. And so the TAM is just crazy big, and these consumer problems are durable, and so I think, like, what's unique about our business is that if you just show up every single day, and you work really hard, and you authentically teach a consumer how to buy one of those things and connect them to the right business for them. And you thoughtfully choose purchases that are interconnected, then you can build a really big business. And you know, we've built a pretty big business already, which is rare in and of itself. And so those opportunities and that sort of system that you've built is difficult to replicate, and so it's just it would be a shame to not take advantage of that. And one of my investors is, who's amazing, gave me the conductor train analogy for businesses where it's like, you know, number of stops, and I'm going to get off the train when you get off the train, you're the conductors act. I'll get off the train when you get off the train and stops being the analog for liquidity here. And I think it's a perfect analogy. And if the sufficiency of TAM is there, the business model is there, and durability is there, then these things are just kind of runaway EV trains, enterprise value trains, and you just shouldn't get off. Now I think every investor is different. Situations change. Like I have had multiple moments for the past 14 years where it was like life gets in the way, and life gets in the way for people on the cap table as well. And so it's incumbent on the conductor to understand what's going on on the train, and generate liquidity options if people need them, and identify, yeah, we can have a stop or not have a stop. And so I don't actually think long hold strategies are that incongruent with generating those liquidity options.

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Steve Divitkos 19:42

You mentioned earlier that you ran a process but ultimately didn't transact. Can you just speak to that broken process and most importantly, some of the major lessons that you extracted from it?

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Zac Carman 19:56

So again, that was another lesson in Vanity, because I was like, Man, I know it's running a process. I can do that, like I'm amazing. So I ran the process myself. And, you know, because I'm also insane, it was like a broad process, I think was like 42 introductions to 40 first meetings to 40 second meetings to 18 on site meetings to 12 in you know, in Tulsa meetings to eight simultaneously negotiated term sheets, and then one signed term sheet and then a broken deal. And the mechanism of having someone in your corner is a big lesson I learned. And the mechanism of what having someone in your corner means is not exactly that they're even going to add a ton of things. The things that they add are reducing the distraction. Like I was really distracted from operating the business in that window, and it took that probably set me back a year, that sort of dedicated four months of distraction set us back. Because you just miss things you're no longer like living and breathing everything, and so having some more to offload during a process like that. And then also we probably would have done a transaction if somebody was helping me manage some of those eight simultaneous negotiations, because it's really difficult to tell number two or number three. Hey, it's like, look, he did not get engaged to you, but he still might love you if you're the operator, whereas someone in your corner, like an investment bank can sort of have those conversations and have the wings. And so, you know, when things maybe don't go the way you want during the process for whatever reason, and you're like, oh, actually, these aren't the people I want to do a deal with. You've kind of already blown those up without someone in your corner. So I think that's, like, one big thing I learned. But then also, yeah, you have those conversations with investors, and a lot of people in that process, were not interested at all, in selling. And so I think that was another big lesson learned. Was like trying to understand the competing demands of people on the cap table, and having a better sense of that. That's like something, yeah, reminded of it now it's just like, you've got to constantly be having those conversations.

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Steve Divitkos 22:45

Let's talk about that cap table, because one of the reasons why people might be hesitant to pursue a long term hold is just battling with the reality that, unfortunately, investors need their money back at some point. So can you just talk to us about alignment with your investor group, and whether any investors had issues or areas of misalignment with the concept of a long term hold, and if so, how specifically you work through those issues with them?

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Zac Carman 23:15

I think that you have those conversations and you endeavor to solve. I don't think there's crazy misalignment. And on a go forward basis, I don't think there's misalignment because my intention is to generate enough liquidity to solve issues and, you know, and if you build a business, you build a good business, you can do that, and you're maybe trading that liquidity for some growth that you could have, or delaying it, right? Like you're making choices. This is a differential equation. But it's like, yeah, I mean, they happen for sure, and you just have to talk through them. I mean, we're rational, if anything, I'm rational. Like, I'm not, you know, like, oh my god, I would never sell the business. That's like, not reality. I think you should always be rational, and so you just have to have the conversations and talk about them. And then, if you want your money, if you don't believe me, or you need your money, I will work really hard to get you your money, like that's the reality of the situation.

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Steve Divitkos 24:51

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Z

Zac Carman 26:35

Personally? Well, one being solved was moving to Tulsa instead of living in San Francisco, I think. But you've gotta look, you have to solve liquidity needs. You know, it's like a boiling pot of water on the stove. And you sort of, you buy the business, and you take this cold pot of water and set it on the stove, and you turn it on, and it's going to start heating up. And at some point it's going to boil over, and you've got to be able to reduce that pressure. And liquidity is just like turning it down a little bit, or taking it off the stove for a little bit of time. And there are moments in life where it's like dropping the pasta in, and then it like, really starts maybe boiling over, right? That's like, somebody gets sick, right? Or you have, like, some structural life event of your own that that comes at you, and that is generally where you see these, like crazy situations happen, right? Where it's like, oh, we're just going to sell the business. We're done. Thank God, I'm not sick, right? But, like, if I got sick, that would change life.

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Steve Divitkos 28:11

How did you broach that conversation with your investors? I mean, you talked about how rational it is for an entrepreneur to pursue some amount of liquidity reduce that wealth concentration. How did you broach that with your investors? Because on the surface, it feels like it might be a sensitive discussion, but I'd be curious to hear your take.

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Zac Carman 28:33

I don't think yeah, I mean, maybe I'm weird, but I think you just have to be like, I'm kind of an over sharer anyway, probably, though I just am, like, crazy honest with people. It's, you know, you have to be, you just got to be upfront. You've just got to, like, awkward conversations. You just got to have them. And so, I think, yeah, I mean, there was a moment where my wife got sick, and I was like, hey, like, this has been a great ride, but we need to make change. And you just have that conversation, and they're like, one of my investors is like, well, what really, you know, let's really talk through this. And you know, what really do you need? You know, is selling the business really going to change these things? And you go through a, you know, a decision matrix on that, and, oh, actually, it's not like, really, as long as I could change, if I could change the way I operated. And that led me to doing a lot of great work on leadership building, and a lot of great work on leaning into things that, you know, I'm better at, versus things that I was just doing, because I'm there to do it. And ended up being really great for the business. And concentration risk, like this whole concentration risk, like I have deeply studied wealth creation because I want that, and pretty much everyone who generates tremendous wealth is crazy concentrated over a very long period of time. And so I don't think you can do that and have this like portfolio effect. And so I think, like me personally, like I'm totally comfortable being concentrated, because you just shift the lens of risk analysis to the business versus portfolio risk.

**S****Steve Divitkos 31:14**

I'd love to discuss some of the personal implications of the long term hold strategy. So you've been leading the company for over 14 years now. Can you speak to how you've managed to avoid fatigue or burnout or boredom or maybe even just a simple desire to do something new? And I ask this because all of these things are incredibly common among acquisition entrepreneurs once they hit five or six or seven years in the seat.

**Z****Zac Carman 31:43**

Just get over it. I'm just kidding. I'm kidding. Well, no, I'm not kidding. Actually, I think, like, having this opportunity, the opportunity to build a business, create value for shareholders and do something you're passionate about. I say that because that's like, I think one of the biggest mistakes acquisition entrepreneurs do is, I think during that search process, one of the most important things to realize is that there's, like, this analogy where you're buying a baby that people talk about. You know, this entrepreneur births this business, and it's kind of like having a baby. And I don't, I mean, I don't know if you have kids or not, but like when you have kids, you have your friends who don't have kids, and they like very quickly, either disappear from your life because they tire of listening to you talk about kids, and they tire of you not being able to do the same things anymore. Or the ones that are true friends are just like, Look, dude, I don't have kids. I want to look at these stupid pictures, right? And an entrepreneur building a business is like that. They have this baby. And like no one else has that baby. Has a baby, in fact. Like very few people in this world are also entrepreneurs. That's why they have, like, all these organizations, YPO and EO and things like that, to try and sort of, oh, we all have babies, and even their wife and kids maybe hate this baby because it's what took them away. It's like, why they missed soccer games, or, you know, it's all the risk. It's like, it would have been much better if you've just been a lawyer, right? Like, that's what the way, in the way it's mine or the husband's mind. And then you call this lonely entrepreneur who hasn't been able to talk about the baby and say, like, oh, you know, I love babies. In fact, I love your baby. In fact, I'm really good at getting them into private schools or college or SAT prep or something like because you're a banker or a consultant or whatever, you say all these things, and you're saying that you actually have to love the baby. And a lot of acquisition entrepreneurs don't. They like do it because they think it's a good excel model, and it may be a good excel model, and you may be able to like, tolerate that for three or four years or five years, and have a great outcome, and that's awesome, but that's not going to be a long hold. And so if you really identify within love and have a passion for what you're doing, I think you can get over it. And I think that that was something that identified, like when I was cold calling businesses before, the thing that really. There was, like, an aha moment with different types of businesses where I didn't actually like those businesses at all. In fact, I would like, they're good investments maybe, but I don't want to be even involved in them, because profitability is built on breakage, or profitability is not correlated with good outcomes, and those are the businesses where you see especially a lot of bad headlines about private equity, because strict shareholder based capitalism will pervert those businesses. You see this in healthcare. You see this in some financial services businesses, but sort of where the profit motive is at odds. And so when I was doing the search that was like something that was really, really important to me, was to find a business where profitability was correlated with outcomes, and that I really loved it. And so this mission of giving a consumer an advantage when they need it most, this is consumption that this consumer must do, and teaching them how to do that well, and connecting them with the right business for them is just something I'm proud of And I'm excited to do every single day. I'm excited to get

better at doing that every single day. And it turns out, the better job you do teaching a consumer, the better job you do matching a consumer, the higher the conversion rate, the better quality customer that is for the supplier, and then the better the relationship is with the consumer, because they had a five star experience, means they come back, and we can help them again and again. And that drives LTV and profitability, and so profitability is just correlated with doing the right things. And I think if you have something like that, and the TAM is really big, then you can really, hopefully find things that excite you every single day. And I think you have to, and that's the other thing, the things that don't excite you, you need to work yourself out of them every single day. So I think it's that.

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Steve Divitkos 37:24

So in spite of all the dynamics that you've just articulated, the large market, your personal affinity for the business, the investor alignment, etcetera. I have to imagine, but correct me if I'm wrong, that there's still been points of temptation along the way, vis a vis pursuing a lucrative exit. And I have to imagine that it's hard to not pursue a big number on your personal balance sheet after so many years with your nose to the grindstone. So can you just talk about that temptation, for lack of a better way to put it, and how you've thought about it over the years?

Z

Zac Carman 37:58

Yeah, there's no, you just watch that marshmallow test thing over and over again. Just put that on repeat, right? No, I mean, for me personally, it probably helps that, you know, I grew up in rural Oklahoma, and my parents are both artists. So, you know, not poor as dirt, but pretty poor. And so, you know, sort of what I want and what I need is probably a lot less. I live in tall side. I don't live in Tiburon, right? And so that's sort of been a way to manage it. And I think, you know, but you've got to solve it. And you do that through partial liquidity along the way, or generating liquidity. You have to, there's just like, no simple, there's no other way to solve it. But I've always been, I want to bet on myself, and I know that I can do more tomorrow. So I've always optimized for as little as possible. Man, I didn't pay myself, like a great example is, like, when I bought the business, I was like, like, don't even, like, I don't even want to raise my salary from the search, like, because I'd rather hire more engineers, or I'd rather hire, you know, this, and I think, like, for seven years, I didn't even change my salary. I was, like, still for six years, maybe, like I just kept it low because I'd rather have that cash to invest in the business and grow enterprise value. And so maybe it's just how I'm wired, but because I view what's in the business as on my balance sheet, and you know, and I'm comfortable with that being illiquid, I guess, yeah, maybe, I mean, yeah, there are people in my. I mean, maybe my wife would have loved it if I had sold the business already. But it doesn't really change your life. And you're trading the grass is always greener. You're trading something else, a new set of problems and unknowns for what you have today.

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Steve Divitkos 40:56

So continuing to pull on the thread of personal considerations, in spite of your 14 years of leadership experience, can you speak to whether or not you still feel a periodic sense of imposter syndrome, something that is incredibly common among first time CEOs, particularly early in their 10 years. Given that you are not early in your tenure, I'd love to hear the extent to which you still grapple with that?

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Zac Carman 41:25

I have no idea what I'm doing. I have no idea. Something I learned early on is you've got to embrace that you know nothing, and every single day you are just trying to get better at whatever it is you're working on. And you know a business, and so you hire people, you go generate some cash flow and hire some folks, and you're hiring a knowledge node. And a business is really a network of these knowledge nodes, and you're trying to build process and systems and communication to reduce network latency of that knowledge network to gather data quickly and make decisions. And the better you can do that, the higher the quality of the tissue decisions you can make in a business are, and so, I mean, even you know, I know very little about what's happening everywhere at any moment in time, but I'm pretty good at getting it to move throughout the business. But, yeah, I have no like, I've never done what I'm doing, every single day in your life is that. And so it's just more about enjoying the process of figuring it out, which is why I think engineering is such the concept of like Applied Sciences is such a powerful educational vector.

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Steve Divitkos 43:13

In what areas of your professional life do you still feel particularly unsure of yourself?

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Zac Carman 43:20

So many things, like, I'm a terrible programmer, I'm a terrible data scientist, though I'm not much better now with these AI tools on data science, I'm a terrible UX designer. No, I'm kidding. They're like, it's, ah, this. Like, I do not cherish the concept of building a personal brand as part of the CEO thing. Like, I don't love actually doing things like this and being out there. People want me to do that, so I've started doing them more. I don't cherish operational excellence. That's like one thing I definitely don't cherish. I admire it so much, and I love it, but I don't personally cherish it. So I bring that around me. So I'm unsure about and it's also hard because you have a portfolio of one. So like when I was in, when I was an investor, like, you could look across all of these businesses, you'd see this broader portfolio of businesses and have a sense of what is great operational excellence and what is, you know, other than, like, financial performance. Because, like, in some sense, the market and the TAM and the opportunity is setting the rising tide of this boat. And so does it mean we're good sailors, or does it mean we're really good? And so, like, that's something I'm always insecure about. Are we really good, or is this the market? Yeah, and then it doesn't help that everyone says that, right? It's like that. You know, management teams are great, but really it's markets that build businesses. So, yeah, I think those are, yeah, building personal brand. I think building and being a great leader, like there every single day, I work on that, like the aspects of leadership, I think that's like a hard thing to perfect, and I don't think you're ever going to perfect it.

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Steve Divitkos 45:42

I'd love to conclude by speaking directly to those listening who are earlier in their careers, who are explicitly contemplating a long term hold strategy. So given your experience, how wise or even realistic do you think it is for an acquisition entrepreneur to have an explicit long term hold strategy before the acquisition of their first company.

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Zac Carman 46:05

I think it's insane to think that you would know this before you buy a business. I think it's insane to, because you just won't, I just don't think you will know until you're in.

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Steve Divitkos 46:30

Yeah, you don't know what you don't know.

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Zac Carman 46:32

Yeah, it's just, I think, I mean, maybe there's a group of investors that want to hear that, and that's why you're saying it, or maybe it's a forcing mechanism to sort of go after the attributes of businesses that lend themselves to that. But I think you should be doing that anyway as an acquisition entrepreneur. You should be looking for like, magnificent TAMs, with tremendous tailwinds and sort of durable, great businesses that are like, not going to get disrupted. I think those are the the attributes you want to be looking for anyway. And I think the long hold will manifest itself or not. And are you the right person? I think, like, what am I insecure about, am I the right person? Every single day. Like, am I the right person to be doing this? I hope so, and I'm gonna keep grinding on it, and yeah, and that'll reveal itself. But I think it'd be insane to be like, oh, I want to go run something for 30 years. Really? To me, that's definitely a kind of a beige flag? No, it's not a red flag. Maybe. Yeah, I think it's red flag. So if somebody told me, Hey, I want to buy something and run it for 30 years, I'm like, that's like a little red Flaggy, I'm not sure I want to want to partner with that acquisition entrepreneur myself.

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Steve Divitkos 48:05

I tend to have a similar opinion. I mean it both with respect to long term holds and also with respect to roll up strategies. In my experience, a very material percentage of people who say that they want to do an inorganic growth strategy. Don't end up doing it, because once they get in, they realize how difficult it is. And in a similar spirit, a very material percentage of folks who say they want to do a long term hold don't for a countless number of reasons. Maybe they get an unsolicited offer X years in, maybe they thought being an entrepreneur and CEO was going to be a certain way, and it turns out that it was very different from that. So I tend to agree with you that like, especially if you've never run anything before, one simply doesn't know what they don't know.

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Zac Carman 48:55

No, now maybe it shouldn't be like, because that's definitely a proxy for hubris, which I think is like, one of the things you need in your DNA to do this, like it's insane, like you wouldn't do this unless you were insane. And you're looking for, like, this mix of hubris, grit and humility. That is weird, but it's like, yeah, that life gets in the way like you. All you're doing is waking up every day and work your tail off, and make sure incentives are aligned correctly, and opportunities present themselves and be rational about them.

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Steve Divitkos 49:40

Is there anything that a prospective entrepreneur earlier in their career might look for in their own experience or personality or temperament that might suggest that they are particularly well suited to a long term hold? Are there any personal considerations that people ought to consider?

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Zac Carman 50:08

So I think that it's because I'm that I'm that I'm old and these young ETA folks, entrepreneur, acquisition entrepreneurs, I don't think they even ever experienced building a financial model, and then your computer crashing, and you'd lost the model because you didn't hit Save. And then it became, like, this nervous tick, you hit command, save, and it's, you don't need that tick. It's like, it's automatically saving, like it's, you know. Google Sheets is saving it, or Microsoft is saving it for you. But, like, I used to lose these financial models, and you'd worked, like, six hours balancing this balance sheet, trying to make it all work, this 60 month sort of restatement, blank Excel sheet, model you built. And you like, forgot to save it, and you just lost six hours of work, right? And then you're like, Ah, I need to start over. And then you'd rebuild it, and it was better. It was always a better model. Like you were, like, Ah, I got rid of that craft. Or, like, I consolidated the Inputs tab. Or, you know, you did something. And that wasted effort, and that tolerance for wasted effort, and then actually being like, ah, you know, that's the best thing that ever happened to me, is the proxy. And if you see that in yourself, that's the proxy. It's like, because you're gonna get kicked in the teeth over and over again. And if you actually kind of love that, it's like, the right mix of masochism, maybe. And you're like, Oh yeah, because I'm a badass, I can do that. Then that is the synecdoty of it. And that's actually what I look for in when I invest in ETA, or when I invest when we hire, like you're looking for that sort of tolerance, because most effort is a waste, and preparing you for these moments of productivity, or these moments of greatness, and it's that, yeah, losing that financial model, but then being like, Ah, it's fine. I'll just redo it.

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Steve Divitkos 52:56

At least in my experience, most people who have never been truly humbled, truly brought to their knees, often don't know how they're going to react when life presents them with something that will do so.

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Zac Carman 53:08

Oh no, yeah, there's like, I'm not a military guy, but like, I really admire them. There's something about that where it's like, you're trying to make training as close to the real thing as possible, so that in the real thing you're making, you're sort of able to make those decisions because you've been exposed to it, until your brain's been exposed to it, you don't know, right? There's like, a neuroscience description of that, but I don't know it or remember it, but yeah, it's why people don't get out of the way they train when it's coming at them. They've never trained coming at them, and their brain is not able to make that decision.

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Steve Divitkos 53:55

I'd love to conclude with a question that I like to keep purposely broad, and that is, what is the most meaningful lesson that you have learned over the past 12 months in any domain?

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Zac Carman 54:17

Yeah, I think well, it's related to that. Actually, I would say it's related to that. It's not that I've learned it over the last 12 months. It's that I've been reminded of it, especially because I've been on, you know, this fitness journey for the last 12 months. Like a buddy of mine asked me to do this thing, this hike, and it was comical that he was asking me to do this hike, because it's called the GR 20. It's like a 15 day unsupported hike across Corsica. And I was like, look at me, like this, like a year ago. So I was like, I'm so I was busy. This balance of health and and work and life and family like keeping that wheel rolling smoothly is a non trivial endeavor. And it was comical that he was asking me to do this hike. He's like, Oh, yeah, get ready for it in a year. He's like, there's no way I could get ready for it in a year. It's going to take at least two years, because even if I dedicated my entire life to this, I couldn't do it in a year. And maybe I don't even know if I'll do the height, because my wife is, like, 15 days unsupported, like that's dangerous, like we're not going to let you do that. But it's that, like most, work yields minimal results, and a few things will drive massive gains. So like I was riding a peloton and lift, you know, but I wasn't lifting, or I'm like, you know, managing nutrition, but not really doing it. And so you do all of this work, and then you make a small tweak, and you can have a massive gain. So just adding and lifting or adding in some sort of the game and so it's reminded me that in the business, if you cut noise and are methodical about understanding the linchpin tasks, and then put energy into those through force prioritization. Like there's a very famous search entrepreneur who has, like, a sticky note thing where it's like, if it's not on this sticky note, I'm not doing it thing. And that is sort of the essence of it, right? The mechanism of that is, like it's a forced limitation. And if you can only put one thing, or, you know, if you can only fit something on a sticky note, it's got to be a linchpin. And so small, carefully chosen efforts can disproportionately improve the whole system.

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Steve Divitkos 57:31

When you talked about the seemingly unrealistic deadline of 12 months to prepare for this hike, I was thinking of Parkinson's Law, which is work expands to fill the time allotted for its completion, which is to say, if you want something done, give someone an unrealistic deadline, because it compels them to focus. Did you find that you benefited from that seemingly unrealistic deadline?

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Zac Carman 57:55

I mean, to me, it was like a moment, because I was like flying back, like I'd seen him, like, saw him on a family vacation, and he was like, oh, we should go do this. It's like, and I'm on the flight back, and I'm just like, to me, it was, like, a triggering moment. But I think, yeah, I don't know. I mean, I think so, yeah, I think, like, be unrealistic. That's like another. That's a good one. I think be unrealistic. Because if you shoot for the stars, you might hit the moon. It's still pretty great.

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Steve Divitkos 58:31

History was generally written by unrealistic people, I would imagine.

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Zac Carman 58:37

Yes, yeah, you've you have to want so much and just be so optimistic and delusional. Or doulu is the kids, I think say today, about that I can do that.

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Steve Divitkos 58:59

Yeah, Zac, you are the man. I have really admired watching your journey, albeit from a bit of a distance, and really admire what you've built, both personally and professionally. So thank you for sharing your story with us today.

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Zac Carman 59:16

Steve, thanks for having me. You have a great day.