Entrepreneurship through Action (ETA)



Haskayne School of Business

UNIVERSITY OF CALGARY

What is Entrepreneurship through Acquisition?

A $2 trillion opportunity in Canada by 2032.

As small to medium enterprises (SME) seek transition in ownership, there is a growing need for SMEs who do not have a succession plan to find new ownership and management for their profitable business.

Why should you be interested?

An excellent opportunity to mentor the next generation of CEOs, while generating a 32 per cent average return (average since 1984).

Haskayne MBA students can enroll in this new ETA course in 2024, where they will have access to mentors and investors, and eventually, acquire their own small business.

History of ETA

1984 Harvard initiated and Stanford developed the Search Fund Model for ETA.

1999 Only 15 – 20 investors account for the majority of capital investment in ETA.

2011 Kellogg and Booth University joined the movement, accelerating ETA adoption in the U.S.

2019 ETA funds and acquisitions gain momentum as more major American Schools launch ETA programs.

2024 Haskayne to launch the first ETA MBA course in Western Canada.

Search Fund Model

1. New grad develops search fund

2-6 months

New MBA grad → creates → Typical Traditional Search Fund US$425K ← invests ← ~ 14 investors
- Firms
- Individuals

Source: Stanford 2022 Search Fund Study, pg 20

2. Selects a business to acquire

12-24 months

MBA grad searches and narrows down an acquisition target

Typical Acquisitions:
- US$6.4 MM revenues (sticky, B2B)
- US$1.7 MM EBITDA
- 22% EBITDA Margin
- US$16.5 MM purchase price

Source: Stanford 2022 Search Fund Study, pg 22

3. Makes the acquisition

Acquire

Search Fund Investment carries at 1.5x + Acquisition Capital Raised

~ 50% of search fund investors exercise their option to invest in the acquisition, supplemented by new investors (total ~ 18)

Post-Acquisition

MBA grad operates the business and creates value:

Year 1 & 2: Learn the business
Year 3+: Scale the business and aggressive debt retirement
Year 5+: Potential exit if interested

Typical Capitalization:
- 50% senior debt
- 20% Vendor debt (deferred)
- 30% equity

Source: HBR Guide Buying a Small Business

Get involved with entrepreneurship through acquisition at the Haskayne School of Business.

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