

Business Acquisition Series (BAS): Part 2

Let's think of a business model to start. With \$1,000, I will purchase a t-shirt printing machine. With the machine, I could start stamping designs onto blank t-shirts. Korea sells tons of no name brand shirts, which we could at Miller's Outpost for \$20-\$30. Pricey, to say the least. A lot of the designs are whack and could use a little sprucing up.

Business aspect: Economically feasible? Cost of a blank t-shirt is probably \$5, and if I can sell it for \$20, then it's not bad. Have to look into the cost of ink. This may be the business breaker. Margin would be slim at low volume, since the upfront fees would be 1) t-shirt price, 2) ink toner cost.

Operations: Quality of t-shirt? Need the t-shirt quality to be on par with department store shirts, or at least Uniqlo. Not only does the quality have to be superb, but the design and look has to be relevant to the current fashion scene.

Distribution: Direct delivery by the owner or even doing the overnight delivery wouldn't cost too much.

Financing: Not much of a concern here.

Ownership burden: A lot of time, energy, but doable

Client base: Manage/operate online store and sell shirts directly to retail stores.

Valuation: If I sell 100 shirts at \$15 profit each, then it's \$1500 a month. Not bad and it wouldn't be impossible to accomplish the goal. So one year of cash flow is 18,000 plus \$1000 for the machine, so somewhere close to \$20,000 for the business. So with \$1000 down and a little sweat, I could turn this business into a 20 bagger, after the business has proven itself to myself and other investors. So I get \$18,000 in cash flow and can sell the business for \$20,000, all with \$1,000 in capital. \$38,000 vs. \$1,000. Impressive~!

A lot of the business is completing administrative tasks such as obtaining contract signatures, filing with the appropriate governing bodies, communicating with the accountant and clients. Unlike an analyst position for research, think of it as M&A analyst job, doing both the analysis and paperwork.