

International Search Funds–2022

Selected Observations

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October 2022

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Abstract

This note reports a biennial study, performed by the IESE Business School, of search funds that were formed outside the United States and Canada. Undertaken in partnership with the Stanford Graduate School of Business, it uses a quantitative survey-based research method to gain insight into the financial returns and important characteristics of “international” (non-U.S. and Canada) search funds, including the qualities of search fund entrepreneurs and companies. The study targeted all known search funds outside the United States and Canada, in close coordination with a concurrent Stanford study, using data drawn from 211 first-time search funds. The sample set included international searchers from 34 countries on five continents.

Keywords: Search Funds, International Search Funds, Entrepreneurship Through Acquisition (ETA), Entrepreneurial Acquisitions (EA), Entrepreneurial Finance

The authors would like to thank all of the search fund principals who participated in this study.

Introduction

In 2011, IESE Business School (IESE), in collaboration with the Stanford Graduate School of Business (GSB), began to identify and track international search funds.¹ This note is the sixth to be published by IESE and is updated biennially in concert with Stanford's study on search funds.²

A search fund is an entrepreneurial path undertaken by one or two individuals (the "searchers") who form an investment vehicle with a small group of aligned investors, some of whom become mentors, to search for, acquire, and lead a privately held company for the medium to long term, typically six to ten years. Search funds offer entrepreneurs the opportunity to become equity-owning business operators (typically in the role of CEO) before they have accumulated the capital or experience required to buy or lead a company. For investors, a search fund can provide attractive returns in a two-stage investment: an initial investment in support of the entrepreneur's sourcing of a company followed by a larger amount of capital in the acquisition of this existing business.

The life cycle of a search fund can be thought of as having four stages: (1) raising a search fund (i.e., a pool of capital) from a group of aligned, involved investors backing the searcher(s) to find a company to acquire; (2) searching and acquiring, usually one to two years during which the searcher(s) generate many leads to identify and acquire an attractive operating business; (3) operating, the longest stage and most compelling for the entrepreneur, during which the searcher(s) lead and grow the business; and (4) exiting, at which point the searcher(s) and investors achieve liquidity by various means. For detailed background information on search funds, see the Stanford GSB Center for Entrepreneurial Studies (CES) [Search Fund Primer](#)³ and the IESE note [Search Funds — What has made them work?](#)⁴

Using a quantitative survey-based research method, this report provides insights into the evolving characteristics and performance of all known international search funds,⁵ including changes in the characteristics of search fund entrepreneurs.⁶

¹ "International" in this report refers to outside the United States and Canada, to coordinate with the Stanford study.

² For more information on Stanford's research in the United States and Canada, which has tracked more than 526 search funds formed since 1984, see http://www.gsb.stanford.edu/ces/resources/search_funds.html.

³ For a comprehensive description of the search and acquisition process, readers may obtain the *Search Fund Primer* from Stanford GSB's Center for Entrepreneurial Studies (CES): <http://www.gsb.stanford.edu/faculty-research/centers-initiatives/ces/research/search-funds/primer>.

⁴ To help understand the practices and values underpinning the search fund model, readers may obtain the note *Search Funds -- What has made them work?* from IESE's International Search Fund Center: <https://www.iese.edu/entrepreneurship/search-funds>.

⁵ "Known search funds" refers to those of which IESE is aware. Despite the broad network of search fund principals, investors, and advisors that share searcher data with IESE, it is possible that search funds have existed or do exist that are not known to IESE.

⁶ The data in this study is reported as of December 31, 2021.

International Search Fund Asset Class

This study drew on data from 211 first-time search funds, the earliest of which was formed in 1992. It considered only first-time traditional search funds, excluding self-funded searches, second-time search funds, and single-sponsor searches, since those imply different skill sets, capital needs, and external requirements. For the same reasons, it also omitted derived models, such as accelerators, entrepreneurs in residence, and other hybrid models. Because of its specificity, the authors would like to caution about extrapolating conclusions from traditional search funds and applying them to other forms or models.

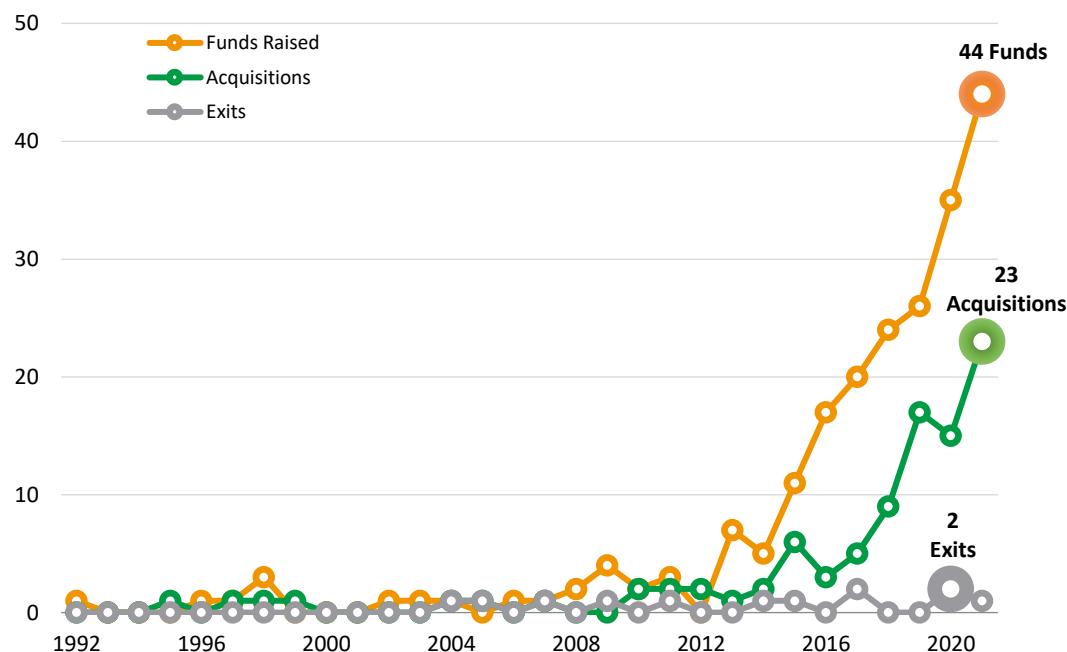
A principal from each search fund was asked to complete a standardized, electronically distributed survey that included questions about their personal background and professional profile. They were also asked about their fundraising, geographic focus, target industries, and target company characteristics. Searchers who acquired a company were asked about acquisition and operating metrics; those who had operated for more than a year, including those who had achieved liquidity, were asked about the returns and/or company valuation (and thus the implied return).

Although every effort was made to collect information from every known search fund outside the United States and Canada, readers are cautioned that some may not have been included. As this study is repeated, additional searches may be added to the sample set, which will affect the information presented.

International Search Fund Activity

As **Figure 1** demonstrates, search fund activity outside the United States and Canada has increased significantly. More search funds have been raised in recent years, with 2021 reaching a peak of 44 new international search funds. There were also 23 new acquisitions in 2021. Few exits have occurred in any given year, a result of the relatively recent emergence of the search fund model internationally and the five- to ten-year period between acquisition and exit. As funds mature, more will exit.

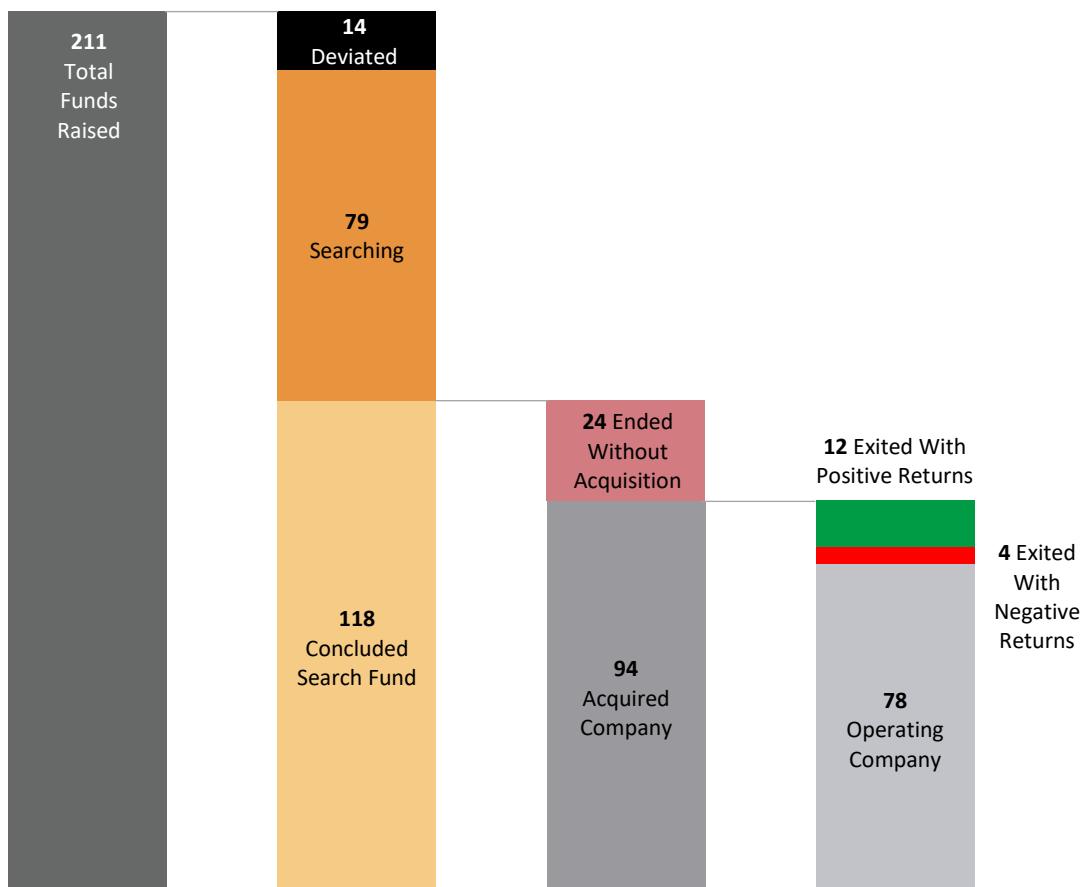
Figure 1. International Search Fund Activity by Year



Source: Prepared by the authors based on IESE search fund surveys.

As of year-end 2021, 79 search funds were either searching for an acquisition or fundraising for a planned acquisition. Of the 132 others, 94 had acquired a company, 24 had ended their search without an acquisition, and 14 had deviated from the search fund model.⁷ Of those 94 that had acquired a company, 78 were operating the company, 12 had exited their businesses with a positive return to investors, and four had exited their companies with a total loss of investors' capital. These findings are summarized in **Figure 2**.

Figure 2. International Search Fund Activity by Status

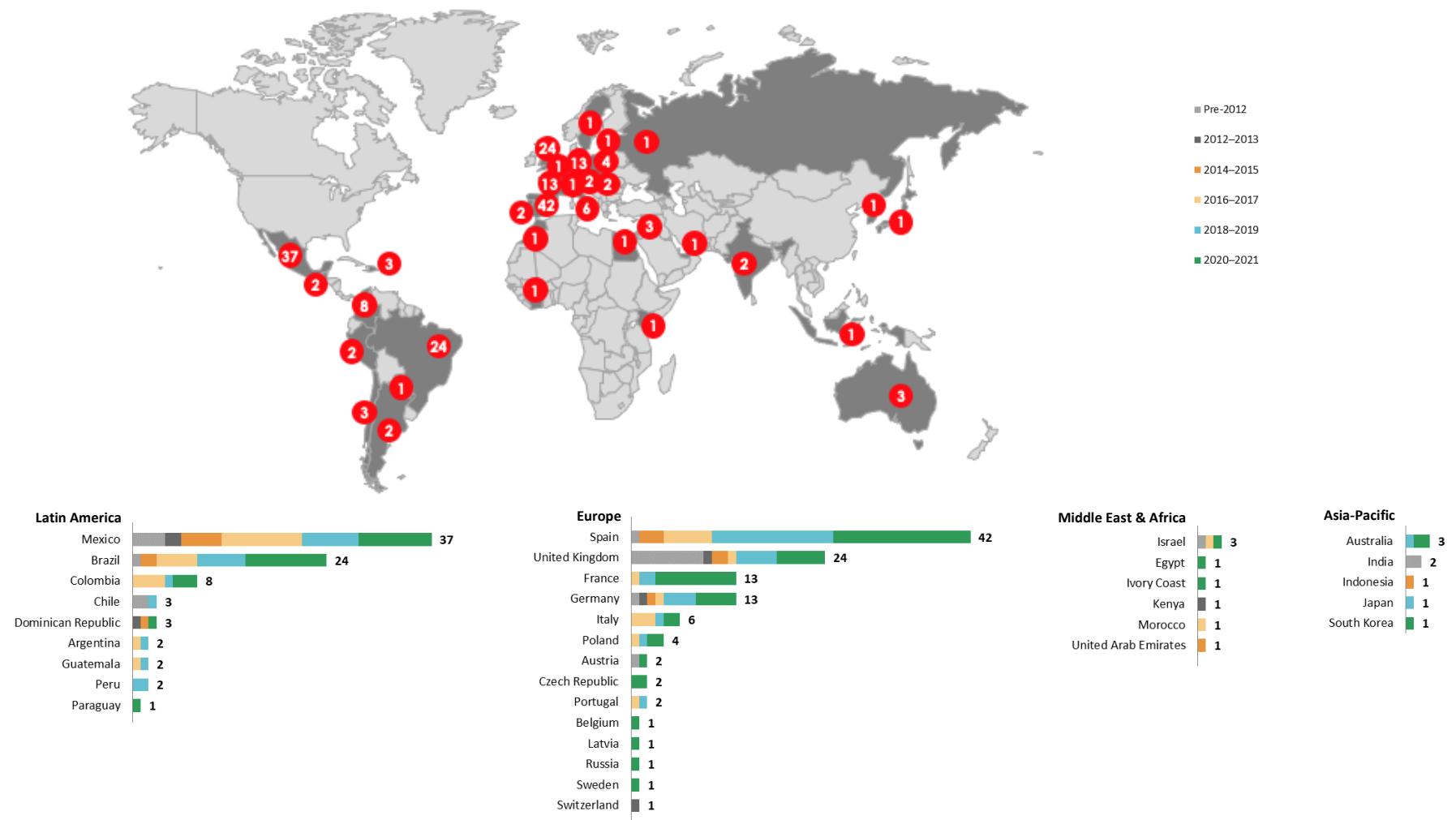


Source: Prepared by the authors based on IESE search fund surveys.

The sample set in this study is diverse, with 211 international searchers from 34 countries on five continents. While the first international search fund was raised in the United Kingdom, beginning in 2003 search funds were raised in Latin America, Europe, Africa, Asia, and Australia. In 2020 and 2021, search funds were formed in nine new countries. Totals by country are shown in **Figure 3**.

⁷ Of the 14 funds to have deviated from the search fund model, the principals most commonly reported pursuing a startup after closing the fund, either by utilizing the remaining search capital for startup costs or by raising startup capital from a fresh set of investors. Data from funds that had deviated from the search fund model were not included in this study.

Figure 3. International Search Funds by Region, Country, and Year of Formation



Source: Prepared by the authors based on IESE search fund surveys.

Principals' Backgrounds

The international search fund principals in this study were diverse in several ways, with the youngest 24 years of age and the oldest 47. Consistent with early search funds, most principals (86% of all international search funds in this study) graduated from an MBA program, with 77% raising their search fund within two years of graduation. Not surprisingly, since the model originated in the United States, 52% of principals who completed an MBA graduated from a U.S. business school, although the proportion from non-U.S. business schools has been much higher in recent years. In Europe, for instance, 80% of principals who completed an MBA and launched their search fund in 2020 and 2021 graduated from a European business school. Approximately half of all international search fund principals attended an Entrepreneurship through Acquisition course at their business school. (See **Exhibit 1** for additional reporting on principals' backgrounds.)

Part of the appeal of the search fund model is that successful searchers come from a wide variety of professional backgrounds, and many investors do not have a preference for any specific professional profile. Individuals with private equity backgrounds represented 20% of search fund principals who formed funds in 2020 and 2021. With 18% and 14%, respectively, management consulting and investment banking represented the next most common professional backgrounds for searchers. (See **Exhibit 2** for additional reporting on principals' professional backgrounds.)

Fundraising and Search

Solo searchers raised 58% of all international search funds formed in 2020 and 2021. This is a lower proportion than in the United States and Canada, where solo searchers raised 73% of funds during the last two years. Most of the searchers interviewed who decided to search with a partner stated similar reasons, such as wanting a complementary professional background, searching more efficiently with two principals instead of one, or simply having a partner for what is often described as the “lonely” journey of searching.

Fundraising metrics varied widely among all international search funds. In the last two years, the median amount raised *per principal* (rather than per fund) was \$380,000.⁸ The smallest amount raised per fund was \$287,000, and the largest was \$901,000. This wide range is explained in part by dual-searcher funds needing to cover two salaries and in part by lower searching costs in emerging markets, where more funds have been raised lately and where searchers tend to raise smaller funds. In 2020 and 2021, the median number of search fund investors per fund increased to 18. The median time required to raise a search fund remained between four and five months. (See **Exhibit 3** for an additional comparison of search fund metrics.)

International searchers generally described themselves as “opportunistic” in their search process, but an increasing number of searchers focused on deep-industry searches. Technology was generally a popular industry theme, with 86% of international searchers stating that technology was an industry of focus. After technology, the most targeted industries in recent years were healthcare, transportation and logistics, and manufacturing. This year’s survey showed a decline in preferences for business services and finance and an increase in interest in technology, healthcare, and manufacturing. Since technology companies have proliferated over the last decade, the four most recent studies break down the technology category further to provide a detailed view of how searchers evaluate this sector. As in the 2020 study, this year’s study includes a breakdown for the increasingly targeted healthcare category. (See **Exhibits 4, 5, and 6** for details on industries targeted by searchers.)

⁸ All financial information presented in this study has been converted to U.S. dollars using the historic conversion rate as quoted by XE.com Inc. USD was chosen for two reasons: (1) the euro was not in circulation for search funds raised prior to 2002, and (2) many search funds, although located outside the United States, are also reported in USD since many of their investors are in the United States.

Of the 79 qualified new searchers surveyed, the 2022 study collected salary data for 70, representing 89%. The range of searcher salaries in Latin America was between \$48,000 and \$140,000, with a median salary of \$94,000. In Europe, the range of searcher salaries was between \$56,000 and \$116,000, with a median salary of \$90,000. For the U.S. and Canadian search funds profiled in Stanford GSB's 2022 Search Fund Study, the range of searcher salaries was between \$30,000 and \$200,000, with a median salary of \$120,000.

Acquiring a Company

The investment criteria for search funds worldwide often include high-quality revenue (such as recurring revenue), high earnings before interest, taxes, depreciation, and amortization (EBITDA) margins, and solid industry growth. In a sample of offering memoranda reviewed by the research team, nearly all mentioned these acquisition characteristics.

Proprietary search remains the predominant source of deal flow, which typically involves contacting businesses directly to learn whether they may be acquisition candidates. Brokers and investment banks also serve as reliable sources of deal flow for international searchers.

From the 211 search funds outside the United States and Canada that were tracked by IESE, 94 acquisitions have been made to date (compared with 526 known U.S. and Canadian search funds tracked by Stanford GSB with 270 acquisitions). Of these 94 acquisitions, 47 were made in Europe, 43 in Latin America, one in the Middle East, one in Africa, one in Asia, and one in Australia. There were 38 new acquisitions in 2020–2021. A detailed geographic split is shown in **Figure 4**.

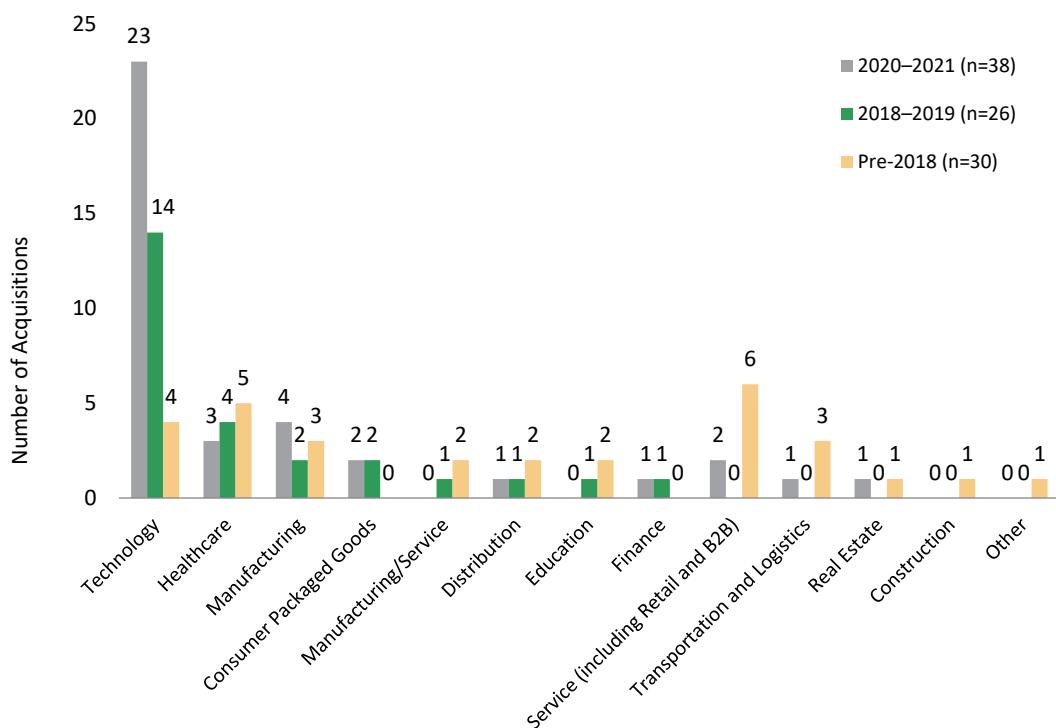
Figure 4. International Search Fund Acquisitions by Region, Country, and Year



Source: Prepared by the authors based on IESE search fund surveys.

Most international search fund acquisitions were made in the technology sector, followed by healthcare. Data from the last four years demonstrate a shift away from acquiring general services businesses toward technology. In 2020–2021, software was the most dominant technology subsector (9 acquisitions), followed by education (3 acquisitions), consumer electronics and hardware (3 acquisitions), financial services and payments (2 acquisitions), tech-enabled services (2 acquisitions), and other technology services (4 acquisitions). See **Figure 5** below for the distribution of industries across all international search fund acquisitions.

Figure 5. Industries of Acquired Companies, 2020–2021 vs. 2018–2019 and Pre-2018



Source: Prepared by the authors based on IESE search fund surveys.

Of 94 international acquisitions, 12 have been sold with a positive return on investor capital, 78 are currently operating, and four were exited with a total loss of investor capital. Of those that successfully completed an acquisition, 7% were purchased for less than \$4 million, 25% for \$4 million to \$8 million, 24% for \$8 million to \$12 million, and 44% for \$12 million or more. The median international search fund acquisition had the following characteristics at purchase: purchase price of \$11 million, \$8 million in revenues, EBITDA margin of 23%, purchase price to EBITDA multiple of 5.8x, purchase price to sales multiple of 1.4x, trailing annual revenue growth rate of 10%, trailing annual EBITDA growth rate of 10%, and 58 employees. In comparison, the median U.S. and Canadian acquisition profiled in Stanford GSB's 2022 Search Fund Study had a purchase price of \$12 million, revenues at purchase of \$7.5 million, EBITDA margin of 22%, a purchase price multiple of 6.4x EBITDA, trailing annual EBITDA growth rate of 17%, and 40 employees. (See **Exhibits 7** and **8** for more international search fund acquisition statistics.)

Additionally, and perhaps due to the earlier stages of some industries in various geographic regions, searchers who fail to find suitable acquisitions in especially attractive targeted industries will occasionally pursue a startup in that sector with the agreement and support of their search fund investors. Even though most search investors discourage entrepreneurs from using a search fund to pursue a startup, several search fund investors have participated in startups in existing industries using business models adapted from other countries (such as, but not exclusively, business models from the U.S.) and under terms similar to the traditional search fund model. Indeed, of the fourteen searchers who deviated from the search fund model, six founded startups with the backing of their search investors.

Financial Performance

This study calculated financial returns from the perspective of investors of **initial search capital**; that is, it measured returns based on investments from and distributions to the **original search fund investors** who invested *in both the search and acquisition phases* of the fund. This year's study excluded follow-on financing events.⁹ Two measures of return were used: return on investment (ROI)¹⁰ and internal rate of return (IRR).¹¹ Both ROI and IRR were calculated on a cash flow basis, including both equity and investor debt that was invested as initial search capital and as acquisition capital. Unsuccessful searches were also included, along with both operating and exited companies. All returns were calculated on a pretax basis using data provided by the principals of the funds or by their search fund investors.

Of the 118 eligible funds (i.e., that had raised a search fund and either acquired a company or ended without an acquisition), 93 were included in the calculations of returns.¹² This number included 24 unsuccessful searches and 69 search funds that completed acquisitions. The calculation of enterprise value was straightforward for the 38 terminal funds¹³ included; the value as of the terminal event (e.g., exit, sale, recapitalization, etc.) was applied. For the remaining 55 operating companies, the enterprise value as of December 31, 2021, was based on the principals' reported market value.¹⁴

By conservatism, for acquired companies still being managed by the searchers, we assumed that all of the searchers' shares of equity had fully vested,¹⁵ all external debt was repaid, and funds were distributed in proportion to the investors' shares of equity and subordinated debt.

While we made every effort to provide accurate returns, it is important to note that the information received for fund contributions and distributions might have been imprecise, especially for funds with long operating histories and complex capital structures. In addition, given that there have been only 12 exits with a positive return by international search fund entrepreneurs as of December 31, 2021, and four cases of companies failing, it is too early to draw firm conclusions about the financial performance of the international search fund asset class. Readers should keep this in mind when considering the ROI and IRR figures presented in this study.

As an asset class, international search funds achieved an ROI of 1.9x and an IRR of 19.4%. The median search fund returned 1.1x of initial search fund investors' capital, whereas the top-performing search fund returned 21.7x. When unsuccessful searches were excluded, returns increased slightly.

These returns are lower than in the last IESE study, decreasing from 2.4x in 2020 to 1.9x in 2022, and lower than in the 2022 Stanford study. This in large part due to the significant portion of total acquisitions made in the past three years. Sixty percent of all international search fund acquisitions have been made in the last

⁹ While follow-on financing can be an important part of search fund returns, excluding it in these calculations simplifies data reporting for searchers still operating a company, thereby increasing data integrity and accuracy while staying true to the focus on returns for original search and acquisition investors. Follow-on financing was included for exits as searchers reported results of terminal search funds in detail.

¹⁰ Return on investment (ROI) represents the multiple of initial cash invested that is returned to investors (also known as MOIC); that is, if the group of initial investors invested \$5 million and later received \$10 million back, this would be described as a 2.0x ROI. A return of \$1 million would be a 0.2x ROI, and so forth. A complete loss of capital is an ROI of 0.0x.

¹¹ Internal rate of return (IRR) represents the annual compounding rate derived from the adjusted dates and actual amounts of search and acquisition capital invested and returned by an investment. For investments returning nothing, or only a fraction of the investors' original investment, IRR is not a meaningful metric.

¹² A total of 23 funds were removed from the sample because the principals had operated the acquired company for less than one year. One terminal fund resulting in a total loss of equity was removed due to insufficient data, and one terminal fund resulting in a positive return was removed due to insufficient data from the principal. The impact of removing these older funds increased returns slightly but not significantly.

¹³ "Terminal" search funds are those that (i) ended the search or (ii) acquired and exited a business with a positive or negative return to investors.

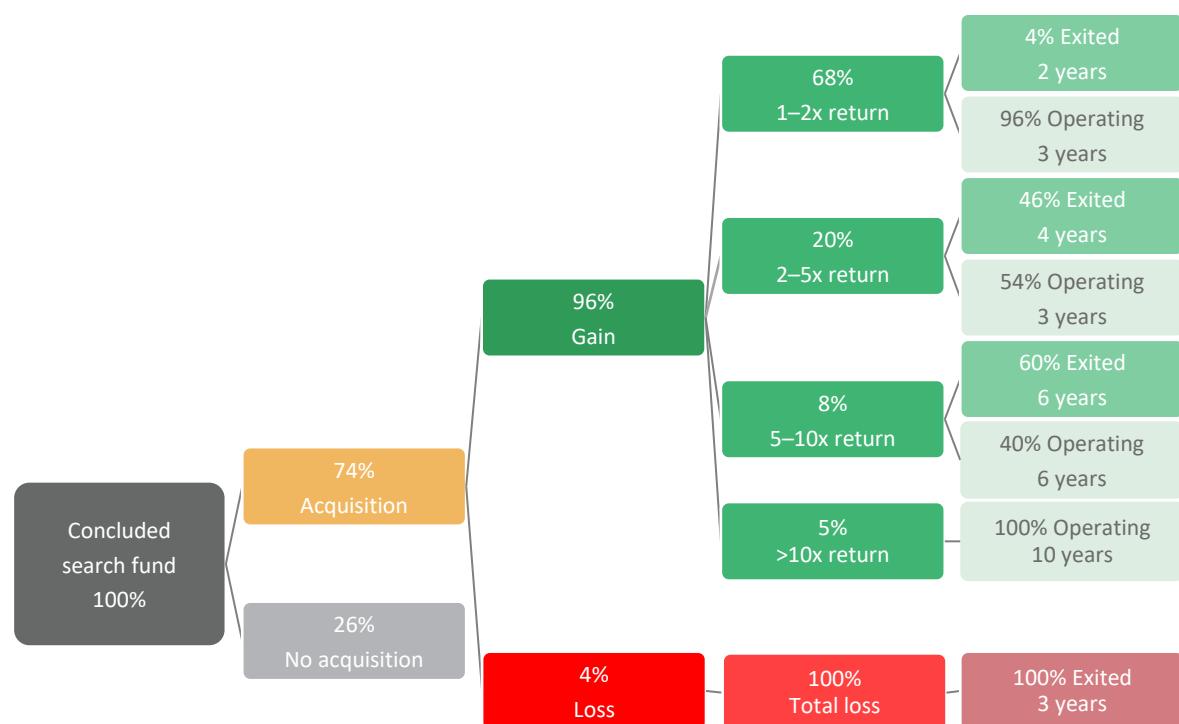
¹⁴ The estimation of enterprise value is an independent estimate of value based on the principal's knowledge of the company and industry, recent equity transactions, comparable company transactions, or a third-party valuation. Our experience over the years of these studies, as in the Stanford studies, is that the valuation multiples reported by principals still operating their companies are generally lower than what is achieved upon a later liquidity event.

¹⁵ This approach results in a more conservative IRR to investors since funds typically include both time-based vesting and performance hurdle rates, which must be exceeded before the searchers vest at least a portion of their equity. Also, most investments in the search phase include downside protection for investors in the form of preferred returns or a liquidity preference.

three years, and thus have not appreciated significantly. This is as expected; equity appreciation in search fund-acquired companies is often reported to be greatest after years 3 or 4. More conclusions will be possible as these companies and entrepreneurs mature.

The performance of individual international search funds has varied widely. **Figure 6** (below) reflects the percentage of search funds in each phase of the search fund cycle, as well as their return characteristics. We have included the percentage of terminal and operating companies, their return characteristics, and median hold times. For example, the top box in the right-hand column indicates that 4% of companies in the “1-2x return” category were exited, and that the median holding time for all companies in that group was two years. (See **Exhibit 9** for the distribution of international search funds by ROI, and **Exhibit 10** for a histogram by IRR.)

Figure 6. Percentage of International Search Funds in Each Phase of the Search Fund Life Cycle¹⁶

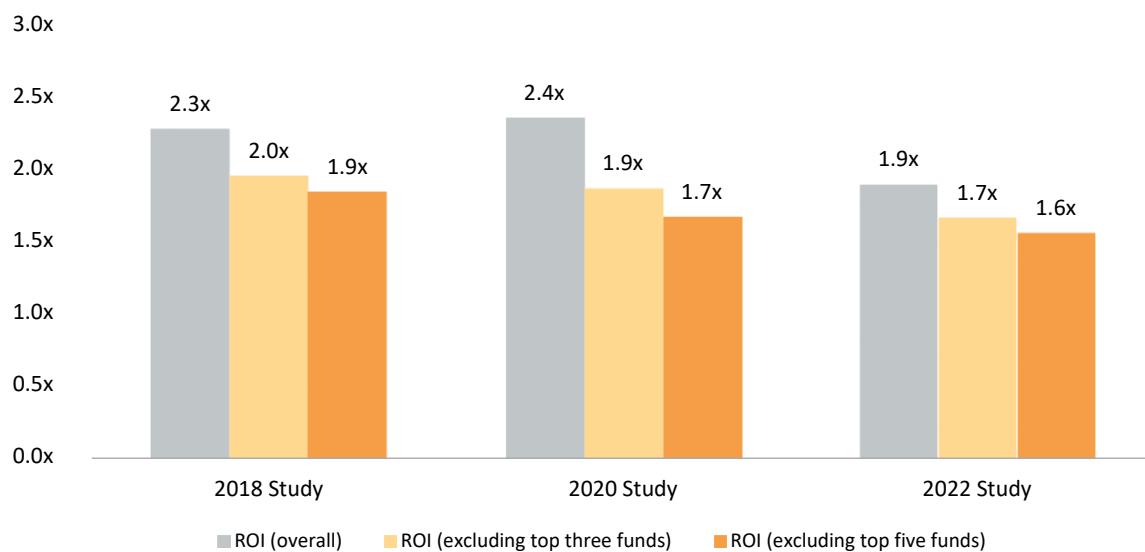


Source: Prepared by the authors based on IESE search fund surveys.

¹⁶ This chart does not reflect information for two companies that did not report sufficient financial information for inclusion. Similarly, it does not include information for 23 companies that had been operating for less than one year as of December 31, 2021.

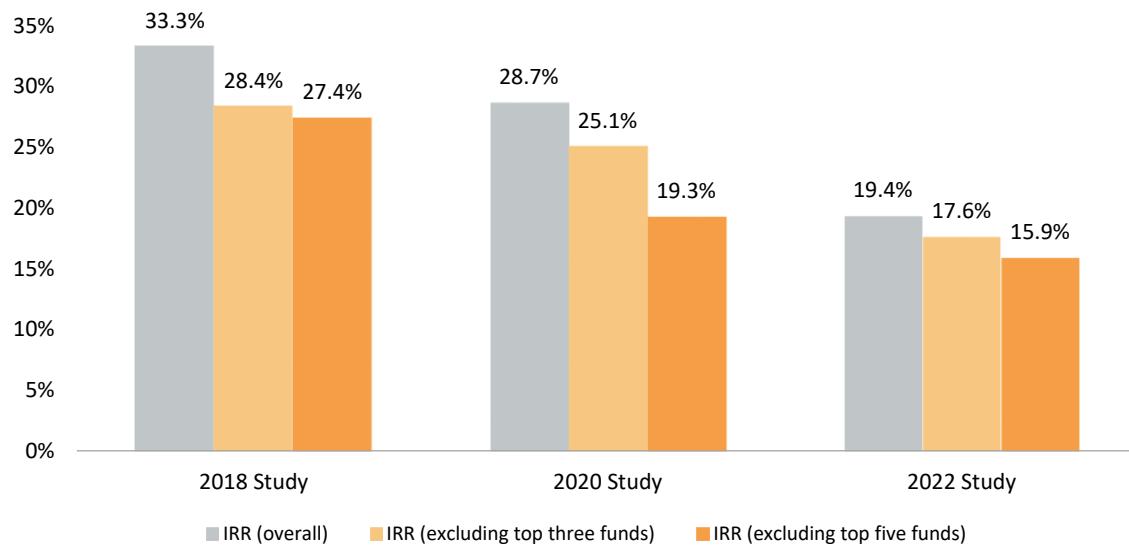
A small number of highly successful search funds positively affect aggregate returns, as with other forms of risk capital and entrepreneurship. **Figures 7 and 8** (below) show adjusted returns when the top three and top five performers, respectively, are removed.¹⁷

Figure 7. International Search Funds Asset Class ROI



Source: Prepared by the authors based on IESE search fund surveys.

Figure 8. International Search Fund Asset Class IRR



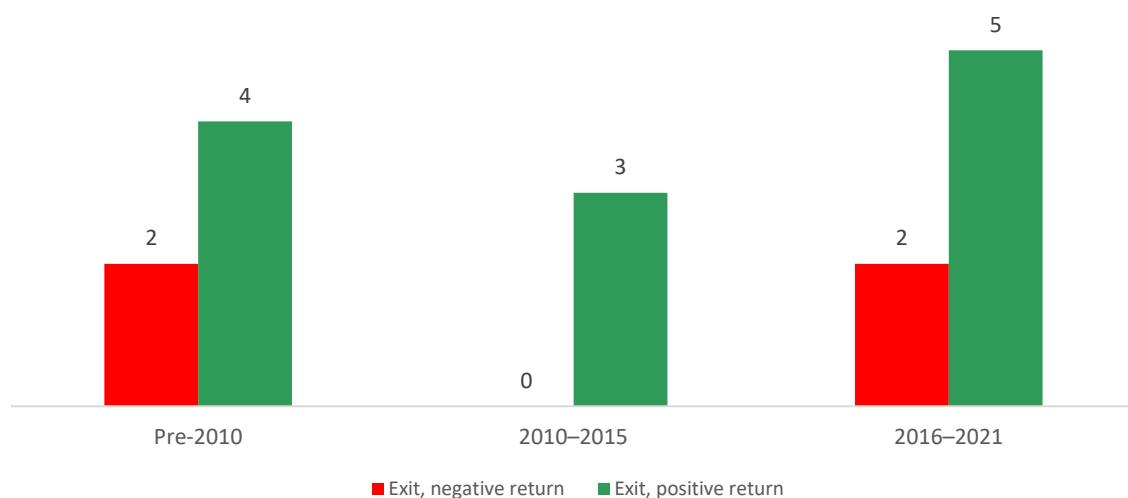
Source: Prepared by the authors based on IESE search fund surveys.

¹⁷ In **Figures 7 and 8**, the top three and top five funds, respectively, were excluded on the basis of their ROI ranking as one approach to demonstrating the relative impact on financial returns when the same three to five companies are removed from the calculations.

The IRR performance of international search funds is lower than the U.S. and Canadian search funds in Stanford GSB's 2022 Search Fund Study, in part due to their relative newness (37% of the funds in this study were launched in the last two years, while more rapid growth in the value of search-acquired companies often happens in years 3, 4, and later). The ROI was also lower than in the Stanford study, again due to the much shorter holding periods. The Stanford study reported an aggregate internal rate of return of 35.3% and an ROI of 5.2x invested capital. Excluding the top five performers, the Stanford study reported an aggregate IRR of 32.1% and an ROI of 3.4x.

Although asset class IRR and ROI have declined, there has been a trend toward more positive outcomes, even as the number of international search fund entrepreneurs has expanded in recent years. **Figure 9** (below) summarizes the outcomes of all terminal international search fund acquisitions over time. There were 12 known exits with a positive return by international search funds—six in Mexico, three in the United Kingdom, one in Brazil, one in Chile, and one in Spain. Four investments in Europe were exited with a negative return to investors.

Figure 9. Positive and Negative Exits Over Time (N=16)

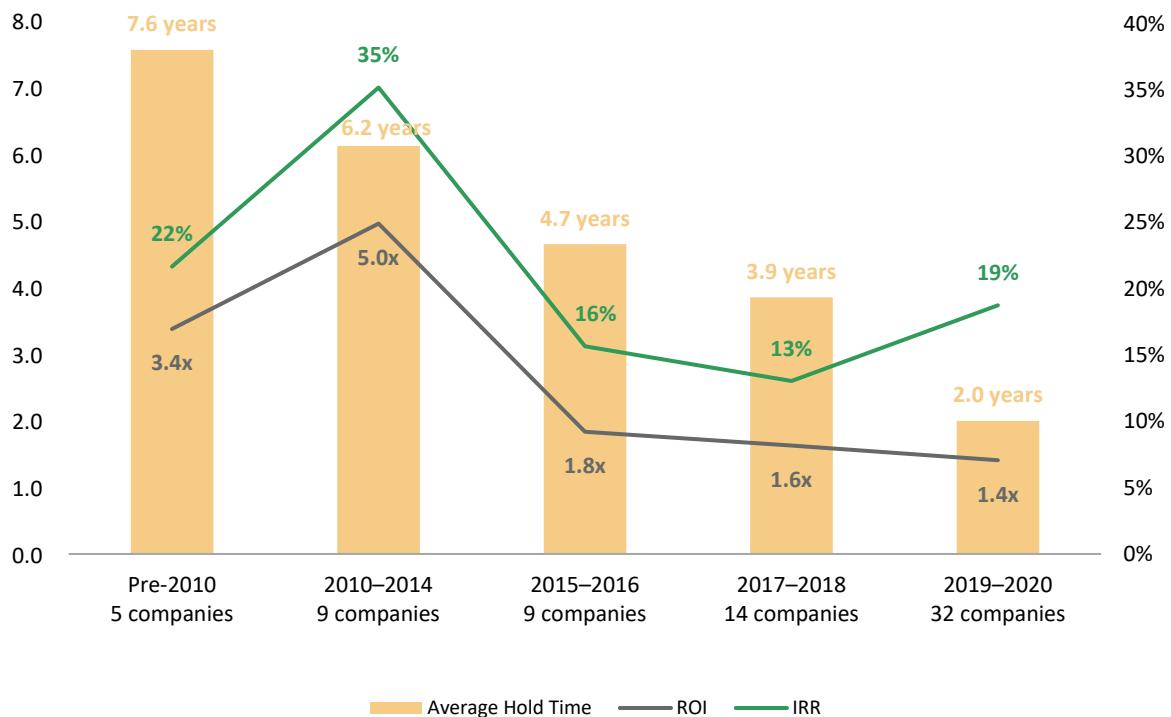


Source: Prepared by the authors based on IESE search fund surveys.

Isolating the returns for search funds that are *still operating a business*, the aggregate ROI is 1.8x, while the IRR is 18.7%. For terminal search funds (i.e., those for which the searcher acquired and then sold or exited the business), returns are 2.3x invested capital (ROI), with a 25.3% IRR.

Figure 10 (below) reflects the IRR and ROI for 14 terminal and 55 operating companies by year of acquisition. Companies operating for less than one year were excluded. Note that the last three columns reflect data for two-year periods from 2015 to 2016, 2017 to 2018, and 2019 to 2020, whereas the second column reflects five years' worth of data.

Figure 10. IRR and ROI by Year of Company Acquisition (N=69)¹⁸



Source: Prepared by the authors based on IESE search fund surveys.

Solo searches accounted for 58% of the search funds formed since the previous study. The decision to proceed solo or with a partner is complex and highly personal, and those who eventually acquired a company were split evenly between single searchers and paired searchers. The average financial returns in the two categories appear to be similar; however, for all outcomes greater than 5x, 63% were partnerships (five search funds). While the data seem to suggest that partnerships are more likely to acquire a company and achieve a greater than 5x outcome, the small sample size prevents us from drawing firm conclusions.¹⁹

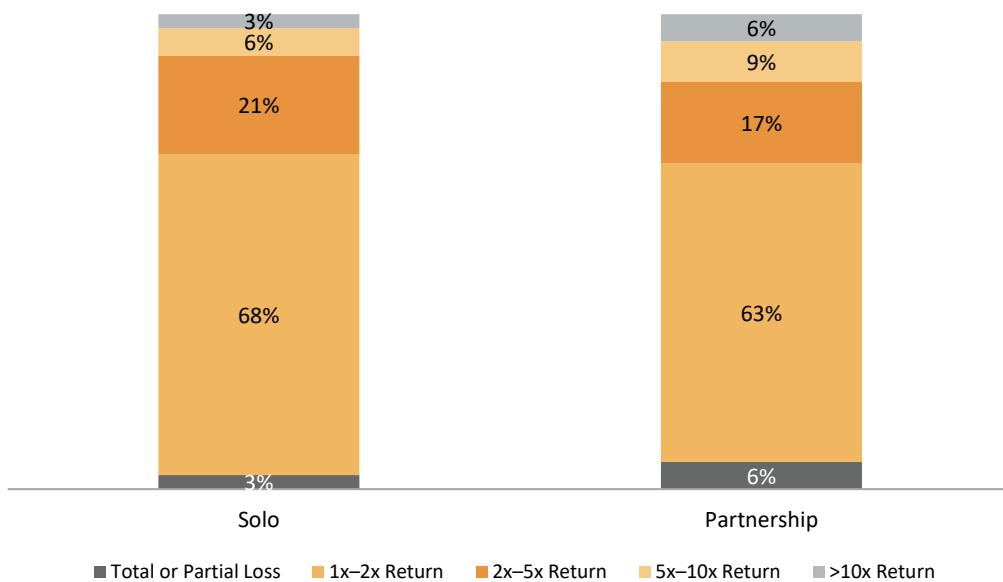
¹⁸ This graph does not reflect information for two companies that did not report sufficient financial information for inclusion. Similarly, it does not include information for 23 companies that had been operating for less than one year as of December 31, 2021.

¹⁹ Most statisticians set the minimum sample size to draw conclusions at a 100.

Figure 11 (below) shows the distribution of investor ROI by partnership status among the international search funds that acquired a company.

Figure 11. Investor ROI by Partnership Status Among Funds That Acquired a Company

(N=69, including 34 solo searchers and 35 partnerships)²⁰



Source: Prepared by the authors based on IESE search fund surveys.

With only 78 operating companies and 16 exits by international search funds as of December 31, 2021, it is too early to publish meaningful data on equity returns to entrepreneurs. Accounting for partnerships, the 2022 Stanford GSB note on U.S. and Canadian search funds reported that the average equity value for each entrepreneur still operating a company was \$6.38 million and \$7.57 million for entrepreneurs who had exited their businesses. On the basis of time operating the company, those amounts equate to \$2 million per year for current operators and \$1.45 million per year for those who exited. Directionally speaking, the equity value of international search fund CEOs seems to mirror the data reported by the Stanford GSB.

²⁰ This graph does not reflect information for two companies that did not report sufficient financial information for inclusion. Similarly, it does not include information for 23 companies that had been operating for less than one year as of December 31, 2021.

Conclusion

Given the relatively small number of terminal international search funds, it is too early to judge the performance of the search fund model outside the United States and Canada. As the number of acquisitions made through the model increases, IESE plans to publish more performance information for the international search fund asset class. Promising search acquisitions have recently been made in Brazil, Mexico, Spain, and other countries. Searches have begun in even more countries, including in Africa and Asia. Still, readers are cautioned against drawing firm conclusions about the model's outcomes in international arenas from this note alone. Rather than using this note as a basis for judging the performance of international search funds as an asset class, it should be used to understand common search fund characteristics outside the United States and Canada.

During the writing of this note, new reports arrived from international search funds raising capital, negotiating acquisitions, operating with both negative and positive results, and selling successfully. We look forward to collecting the next set of data and reporting the outcomes.

Exhibit 1

International Principals' Background

	Pre-2002	2002-2007	2008-2009	2010-2011	2012-2013	2014-2015	2016-2017	2018-2019	2020-2021
Age at Start of Search									
Minimum	29	29	26	26	27	27	26	26	24
Median	31	30	30	32	28	31	31	31	32
Maximum	35	34	43	42	37	41	39	47	44
Under 30 (%)	33	20	50	20	57	44	30	26	19
30–35 (%)	67	80	33	40	29	31	54	50	53
36–40 (%)	0	0	0	20	14	19	16	20	23
Over 40 (%)	0	0	17	20	0	6	0	4	4
Number of Post-MBA Years before Search Fund									
Minimum	0	0	0	0	0	0	0	0	0
Median	0	1	0	1	1	0	0	1	1
Maximum	0	5	6	6	6	6	8	18	19
No MBA (%)	0	0	0	20	29	13	8	8	23
<1 year post-MBA (%)	100	40	67	40	14	63	59	42	34
1–3 years post-MBA (%)	0	40	17	20	43	0	16	34	25
4–7 years post-MBA (%)	0	20	17	20	14	25	11	10	13
8+ years post-MBA (%)	0	0	0	0	0	0	5	6	5
Gender									
Male (%)	83	100	100	100	86	94	100	96	91
Female (%)	17	0	0	0	14	6	0	4	9

Source: Prepared by the authors based on IESE search fund surveys.

Exhibit 2

International Principals' Professional Background (%)²¹

Professional Background	Pre-2002	2002-2007	2008-2009	2010-2011	2012-2013	2014-2015	2016-2017	2018-2019	2020-2021
Management Consulting	17	0	0	20	43	25	19	14	18
Investment Banking/Finance	0	60	50	40	43	19	22	10	14
Sales	17	0	0	20	0	13	3	0	1
Venture Capital	0	0	0	0	0	0	5	0	5
General Management	50	0	17	20	0	6	8	18	13
Marketing	0	20	0	0	0	0	3	0	3
Law	0	0	0	0	0	0	3	2	0
Operations	0	20	0	0	0	0	5	2	10
Entrepreneur	0	0	0	0	0	6	8	4	4
Accounting	17	0	0	0	0	0	0	2	0
Engineering	0	0	0	0	0	0	5	6	4
Military	0	0	0	0	0	0	0	2	1
Financial Advisory	0	0	0	0	0	0	0	6	4
Private Equity	0	0	33	0	14	31	19	24	20
Investing (Other than VC or PE)	0	0	0	0	0	0	0	6	1
Other	0	0	0	0	0	0	0	4	2

Source: Prepared by the authors based on IESE search fund surveys.

²¹ As a means of comparison, the IESE pre-MBA student profile in 2021 comprised the following professional backgrounds: 67% general management/industry, 20% finance, and 13% consulting.

Exhibit 3

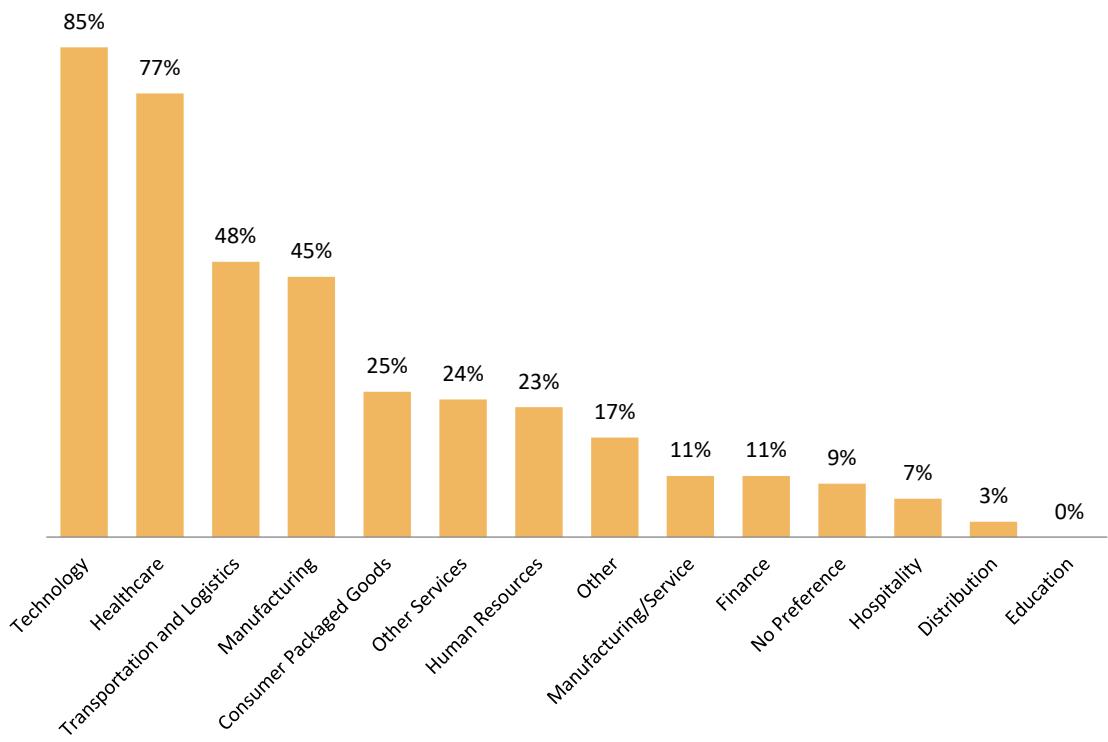
International Search Fund Metrics

	Pre-2002	200-2007	2008-2009	2010-2011	2012-2013	2014-2015	2016-2017	2018-2019	2020-2021
Number of Principals (%)									
Single	100	60	33	80	29	63	51	60	58
Partners	0	40	67	20	71	38	49	40	42
Amount of Initial Capital Raised (\$k)									
Minimum	193	40	50	225	250	200	300	168	287
Median	267	170	494	315	588	426	441	446	470
Maximum	287	200	525	485	651	800	650	875	901
Amount of Initial Capital Raised by Solo Searchers (\$k)									
Minimum	193	15	50	240	350	333	300	168	287
Median	267	40	256	370	363	400	396	414	420
Maximum	287	190	463	48	375	697	526	550	505
Amount of Initial Capital Raised by Partnerships (\$k)									
Minimum	-	170	436	225	250	200	300	421	474
Median	-	185	525	225	600	590	586	606	646
Maximum	-	200	525	225	651	800	650	875	901
Number of Search Fund Investors									
Minimum	8	2	3	10	6	6	5	8	1
Median	10	7	16	13	15	15	17	16	18
Maximum	11	9	20	16	24	25	22	28	30
Number of Months Fundraising									
Minimum	2	1	2	3	3	2	2	2	1
Median	5	2	6	9	4	5	4	5	5
Maximum	7	6	7	13	15	12	11	13	14

Source: Prepared by the authors based on IESE search fund surveys.

Exhibit 4

Targeted Industries, 2020–2021^{22, 23}



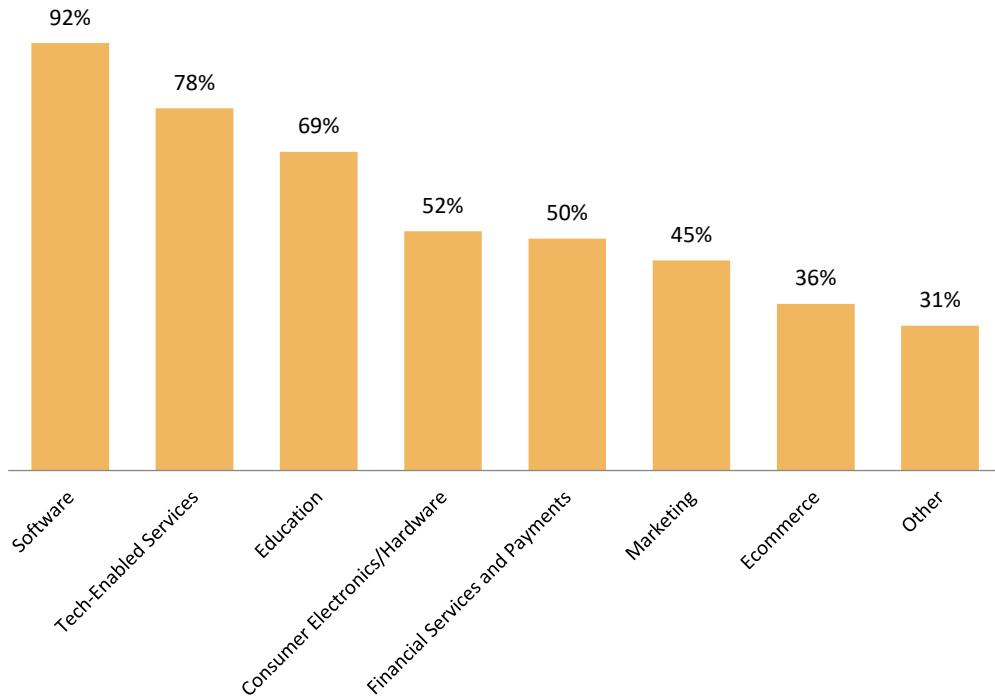
Source: Prepared by the authors based on IESE search fund surveys.

²² Principals were asked to choose all industries they targeted, rather than choosing only one. The above data represents the frequency of each response across all search funds newly surveyed for this study in the given years.

²³ For historical data on industries targeted by searchers (pre-2002–2019), refer to previous versions of the [International Search Fund Study](#).

Exhibit 5

Targeted Technology Subcategories, 2020–2021^{24, 25}



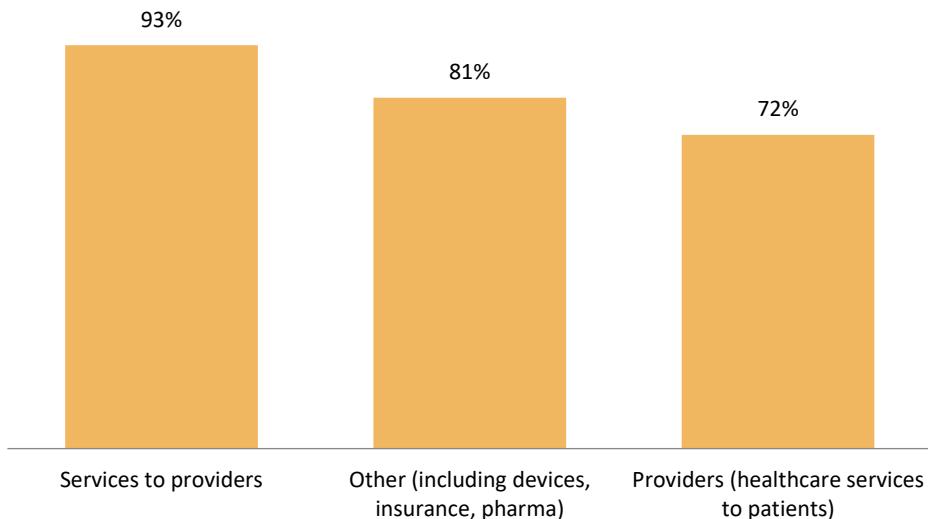
Source: Prepared by the authors based on IESE search fund surveys.

²⁴ The “Internet or IT” category was redefined as “Technology” in the 2016 and 2018 studies and broken into subcategories.

²⁵ Principals were asked to choose all technology subcategories they targeted, rather than choosing only one. The above data represents the frequency of each response across all search funds newly surveyed for this study in the given years.

Exhibit 6

Targeted Healthcare Subcategories, 2020–2021²⁶



Source: Prepared by the authors based on IESE search fund surveys.

²⁶ Principals were asked to choose all healthcare subcategories they targeted, rather than choosing only one. The above data represents the frequency of each response across all search funds newly surveyed for this study in the given years.

Exhibit 7

Median Statistics for International Search Fund Acquisitions

Median	All Acquisitions	Pre-2010	2010-2011	2012-2013	2014-2015	2016-2017	2018-2019	2020-2021
Length of Search (months)	21	8	22	29	22	16	22	23
Purchase Price (\$M)	11.0	3.0	7.1	5.9	13.6	12.3	12.8	11.7
Company Revenues at Purchase (\$M)	7.9	8.0	7.2	7.9	9.8	10.8	9.9	7.7
Company EBITDA at Purchase (\$M)	2.0	0.6	1.5	1.3	2.8	3.0	2.3	1.8
EBITDA Margin (%)	23	11	23	9	24	27	28	23
EBITDA Growth Rate at Purchase (%)	10	7	6	0	5	16	7	12
Revenue Growth Rate at Purchase (%)	10	7	6	0	9	10	12	12
Purchase Price / EBITDA	5.8x	3.0x	5.1x	6.4x	5.8x	4.2x	5.7x	6.4x
Purchase Price / Sales	1.4x	0.6x	1.2x	0.8x	1.5x	1.2x	1.6x	1.5x
Company Employees at Purchase	58	70	141	33	68	90	58	45

Source: Prepared by the authors based on IESE search fund surveys.

Exhibit 8

Selected Statistics for All International Search Fund Acquisitions

Total Number of Months from Start of Search to Deal Close	All Acquisitions
Minimum	1
Median	21
Maximum	44
<11 months	13%
11–20 months	37%
21–30 months	34%
31+ months	17%

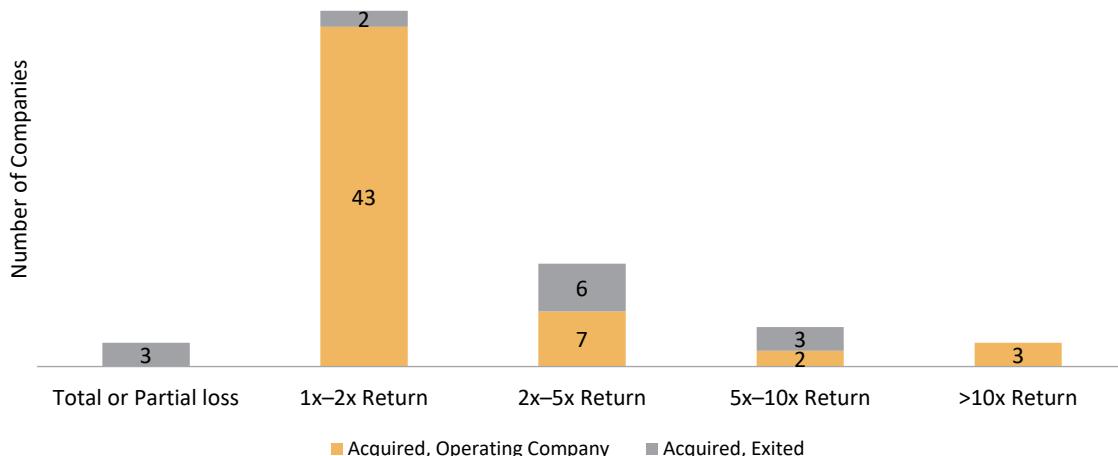
Purchase Price Statistics	All Acquisitions
Minimum	\$0.8 M
Median	\$11.0 M
Maximum	\$56.8 M
<\$4 M	7%
<\$4 M to \$8 M	25%
<\$8 M to \$12 M	24%
>\$12 M	44%

Additional Statistics for All Search Fund Acquisitions	Minimum	Median	Maximum
Company Revenues at Purchase	\$1.0 M	\$7.9 M	\$31.6 M
Company EBITDA at Purchase	\$0.0 M	\$2.0 M	\$11.6 M
Company EBITDA Margin at Purchase	0%	23%	68%
Purchase Price / EBITDA	NM	5.8x	25.0x
Purchase Price / Revenue	0.2x	1.4x	6.9x
EBITDA Growth Rate at Purchase	-80%	10%	94%
Revenue Growth Rate at Purchase	-50%	10%	53%
Company Employees at Purchase	12	58	1,200

Source: Prepared by the authors based on IESE search fund surveys.

Exhibit 9

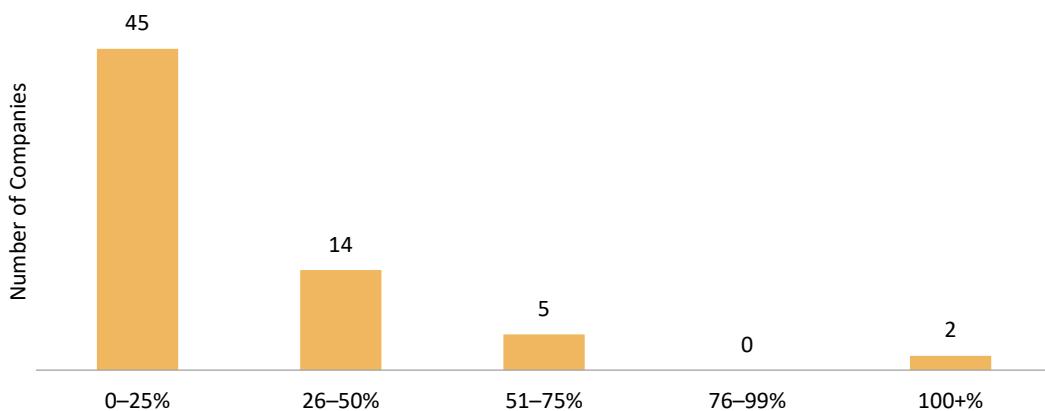
Distribution of International Search Funds That Have Acquired a Company, by ROI (N=69)²⁷



Source: Prepared by the authors based on IESE search funds surveys.

Exhibit 10

Distribution of International Search Funds by Positive IRRs (N=66)²⁸



Source: Prepared by the authors based on IESE search funds surveys.

²⁷ Of the 94 funds that acquired companies as of December 31, 2021, 23 funds had been operating a company for less than one year. One fund was removed due to insufficient data and one due to unresponsiveness of the principal. Thus, return data could be calculated for 69 funds.

²⁸ Of the 69 acquisitions for which IESE collected return data, 66 had reported positive IRRs as of December 31, 2021.

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