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Main St

Private Market Lessons From Main Street Business Month

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The Opportunity: “The Great Main Street Business Transition” White Paper

“Main Street America faces a historic transition as **\$14 trillion in business wealth changes hands over the next decade due to retiring Baby Boomer owners**. Coupled with a significant capital gap, where most private equity funds target larger enterprises, and ‘digital transformation,’ the stage is set for exceptional investment opportunities in businesses valued at reasonable multiples with stable cash flows.”



Market Commentary

"You wanna own a piece of America. You're not gonna bet against the ingenuity of small business in America. You just can't. That's what Warren Buffett always says."

–Adam Blum, Old Hickory Partners

Market Commentary

"We have gone from a nation of owners to what we call a nation of serfs and renters."

–Codie Sanchez, Contrarian Thinking

Market Commentary

"I can fix math. I can't fix culture."

–Bill Tyndall, Tynrose, on the importance of identifying the right Main Street acquisition

Market Commentary

"Our competition is pen and paper."

–Chris Petkas, Contrarian Thinking Capital, on technology and innovation

Market Commentary

"You're gonna hear 10,000 no's before you hear a yes. And it only takes one yes to change your life."

–Jonathan Mustich, TerraLoam, on the entrepreneurial journey

The Great Transition

The Silver Tsunami is Real

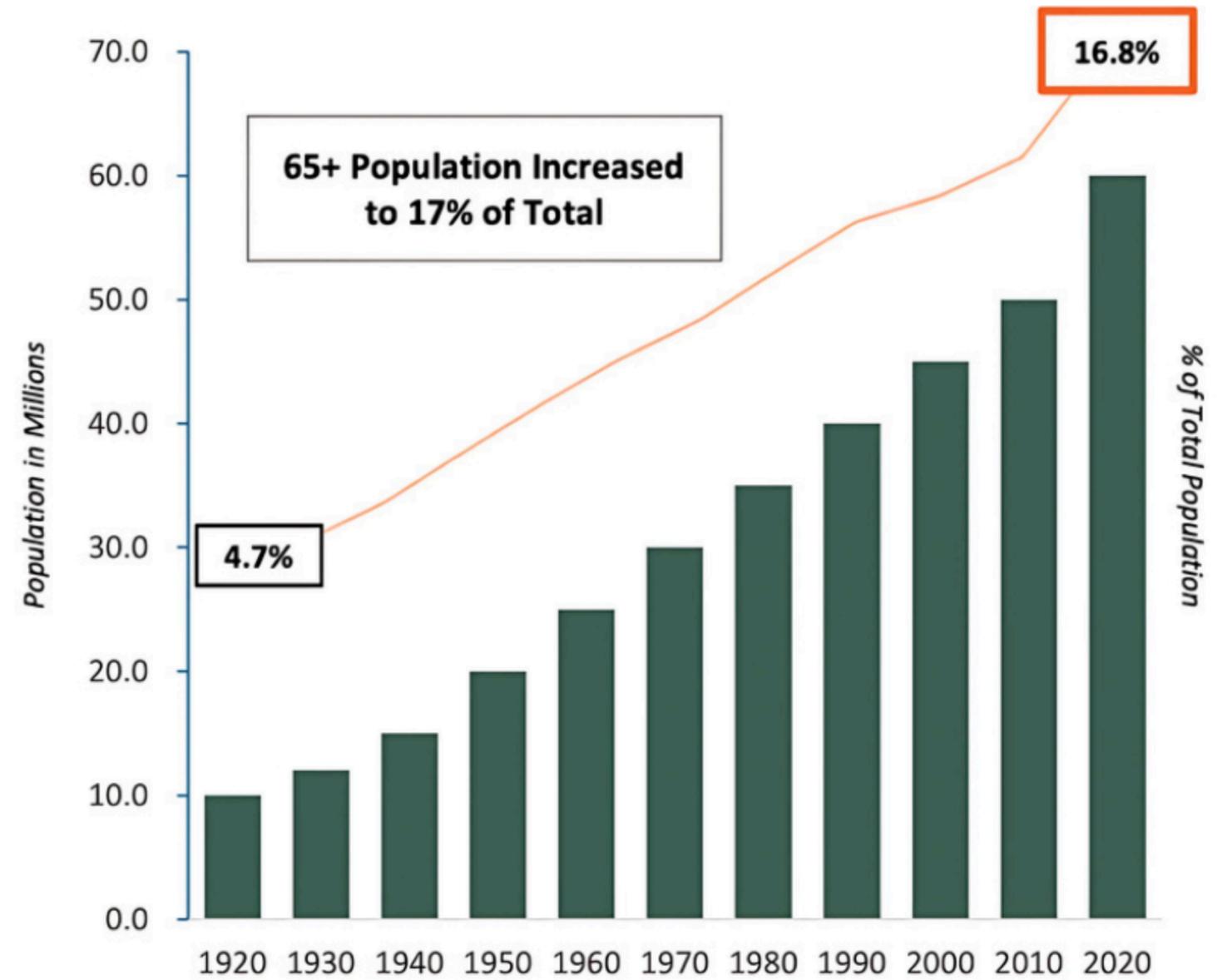
We are witnessing the largest generational transfer of business ownership in American history. **Two-thirds of all businesses are owned by baby boomers**, with the youngest eligible for early retirement starting next year.

The Numbers

U.S. Population 65 Years and Older



Source: U.S. Census, Federal Reserve Bank, UBS Global Wealth Report, Exit Planning Institute – 2023 National State of Owner Readiness Report



From Nation of Owners to Nation of Renters

"We have gone from a nation of owners to what we call a nation of serfs and renters."

-Codie Sanchez, Contrarian Thinking Capital

The data is stark (from Contrarian Thinking Capital):

- **1800s: 80% of Americans owned a business**
- **Today: Less than 10% own a business**

The opportunity: Contrarian Thinking aims to create 1 million new business owners through education and accessible acquisition models.

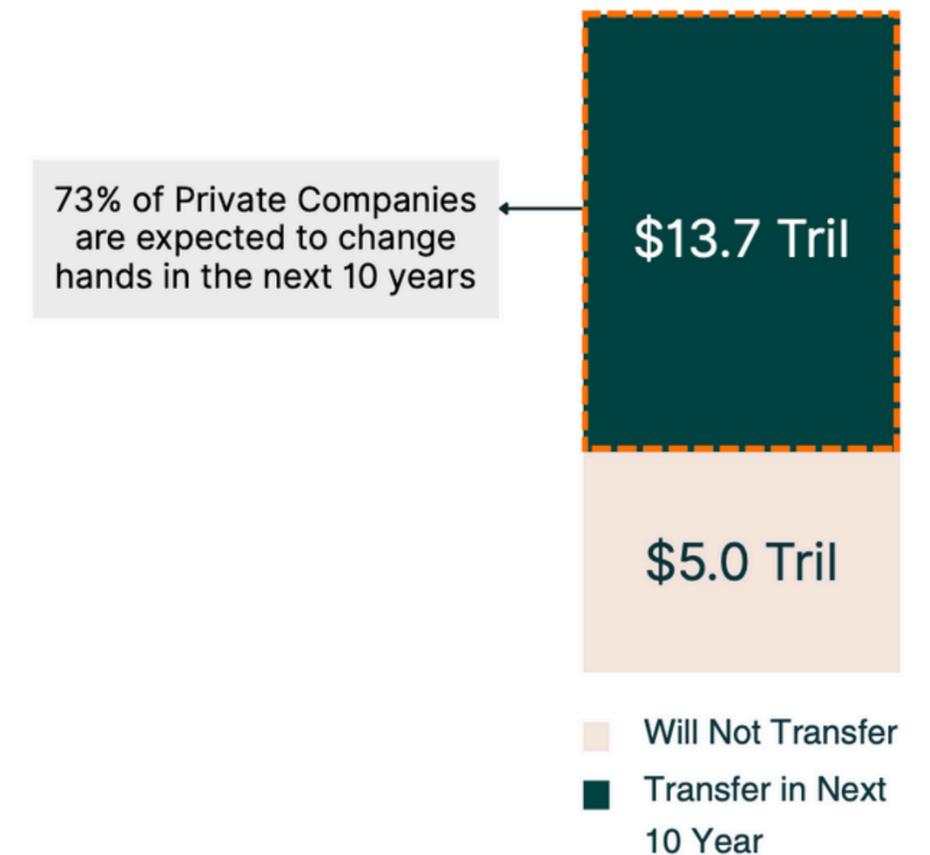
The Succession Dilemma

According to data from the Exit Planning Institute:

- Only 35% of owners had formal exit education in 2013, growing to 68% by 2023
- 26% of business owners reported accelerating their transition plans due to economic conditions.

With 73% of private companies expected to change hands in the next 10 years the potential business wealth transfer over the next decade amounts to \$13.7 trillion.

Privately Held Companies in the U.S. \$18.7 Trillion Market



Source: Exit Planning Institute – 2023 National State of Owner Readiness Report

Technology as the Great Enabler

AI: The Great Democratizer

Small businesses are uniquely positioned to benefit from AI adoption:

The Problem: "Our competition is pen and paper" -Chris Petkas (Contrarian Thinking)

The Solution: AI enables small teams to achieve enterprise-level efficiency

The “Digital Transformation of Main Street

The advances in data and analytics, AI, and ML could have a dramatic impact on industry and manufacturing, in particular.

“Across a wide range of sectors, it is not uncommon to see 30 to 50 percent reductions in machine downtime, 10 to 30 percent increases in throughput, 15 to 30 percent improvements in labor productivity, and 85 percent more accurate forecasting,” a McKinsey report suggests.

Digital Transformation

Successful main street businesses are leveraging data like never before:

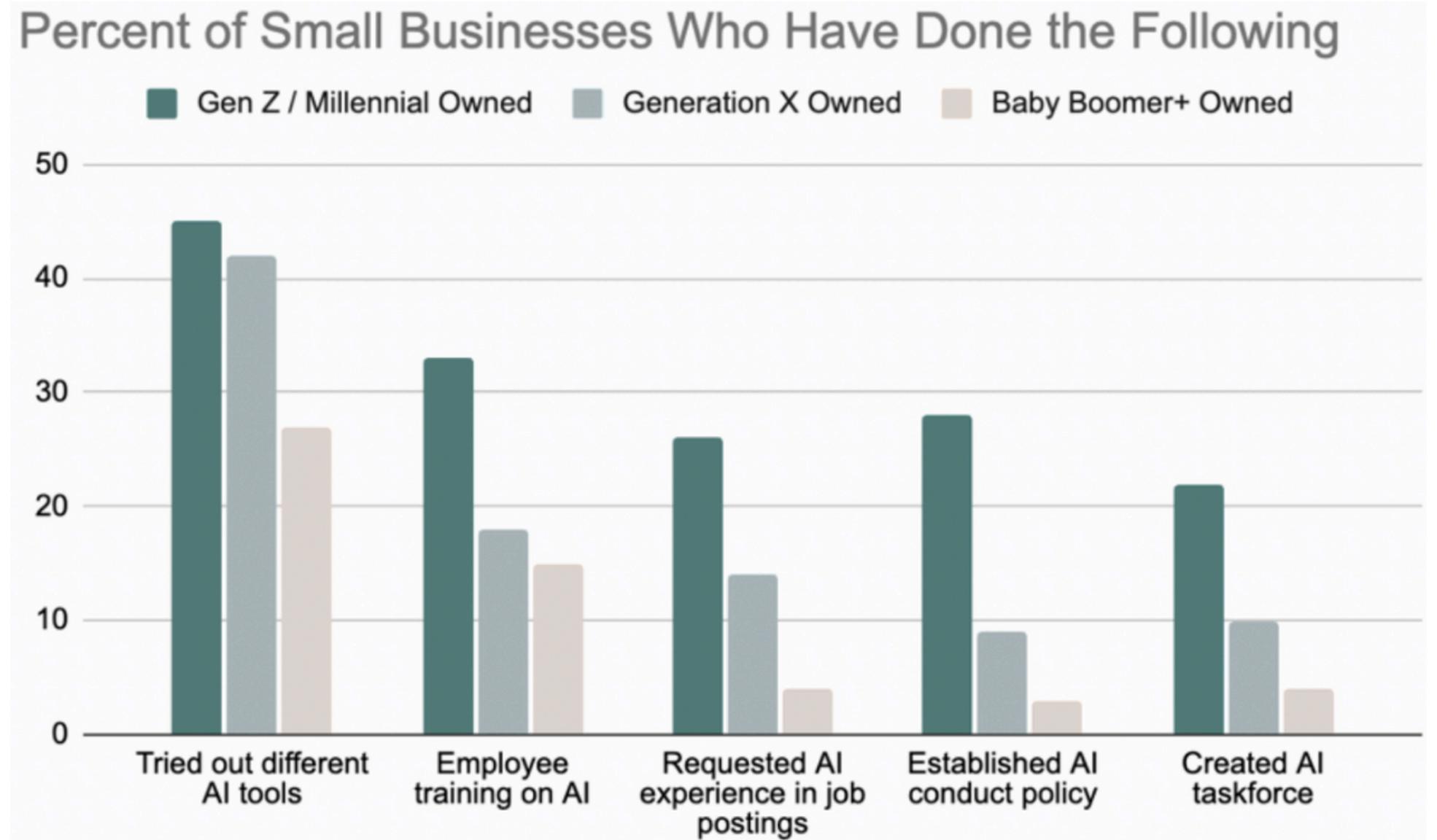
"We've taken our business from a 23% gross margin to a 41% gross margin just by literally doing nothing other than managing a really good data business." –Bill Tyndall, CEO of Tynrose

Tynrose Example:

- Comprehensive Power BI implementation
- Task-level job costing analysis
- Automated workflow optimization
- "Magic number" identification for each business

The Generational Adoption Gap

Despite the transformative promise of AI tools, there is an adoption gap that is very clear across generations, but more acute with older populations.



Small & Medium Businesses Falling Behind On Technology

Important stats:

- 91% of small businesses likely to consider AI services in next 12 months; but
- 67% not confident staying up-to-date with tech trends.
- 60% of SMBs cite ineffective cash flow management as major challenge exacerbating the risk of business failure.
- 90% of SMBs are modernizing their approach to data management; but
- 58% say they are not investing in data to drive growth.

The Digital Transformation Journey

"We are in the top of the first inning right now in terms of where the vast majority of small to medium sized companies are," says Tynrose CEO and meetperry member Bill Tyndall on the digital transformation of Main St.

Before a company can go all-in on "Digital Transformation, Tyndall recommends a 3-phase framework:

1. Stabilization (95% of businesses need this, Tyndall says, and many skip this step)

- Right technology, used properly, in a secure way
- Basic accounting systems and financial reporting

2. Optimization

- Data insights and business intelligence
- Process automation and efficiency gains

3. Innovation

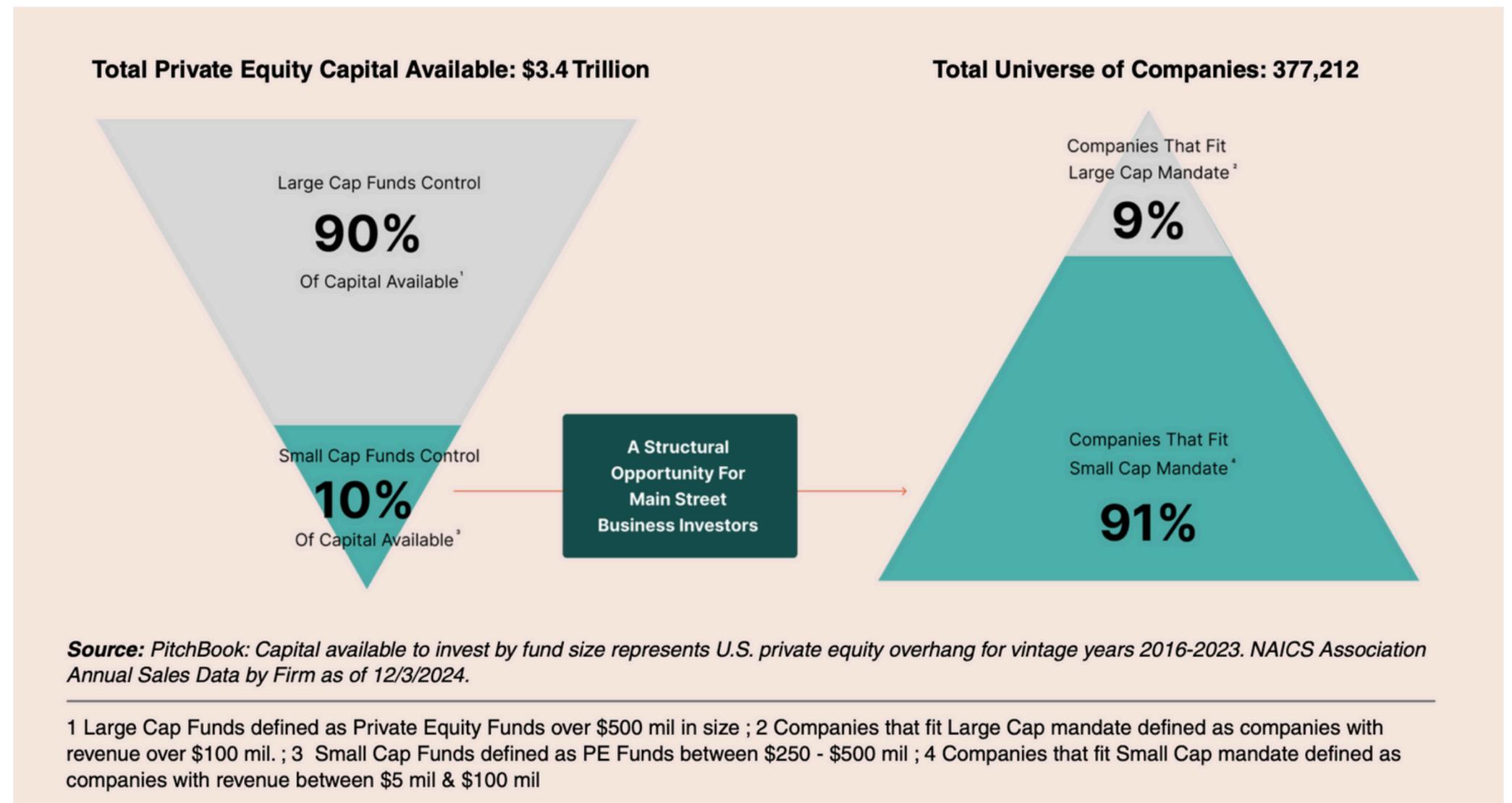
- Custom technology solutions
- Competitive advantage through tech

Capital Deployment Strategies

The Capital Gap: An Imbalance Between Supply & Demand

Just 10% of the \$3.4 trillion in available private equity capital sits in funds sized between \$250 million and \$500 million, those with a smaller cap mandate to buy Main Street Businesses.

Meanwhile, 91% of the universe of private companies fit this small cap mandate.



The Capital Gap: An Imbalance Between Supply & Demand

In light of the significant imbalance between the supply of investment capital and the demand for that capital across the Main Street Business landscape, investors are turning to less traditional approaches to capital deployment.

- Holding Companies
- Search Funds
- Specialized Private Credit
- Specialized Venture Capital

Search Fund Evolution: The Basic Model

Phase 1: The Search

- Entrepreneur raises \$500K-\$1M from investors
- Money funds 18-24 months of salary, office space, travel, and due diligence
- Searcher systematically looks for businesses to acquire
- Typical targets: \$2-4M EBITDA, family-owned, profitable companies

Phase 2: The Acquisition

- When searcher finds a target, investors get right of first refusal to fund the acquisition
- Investment is based on pro-rata share of original search fund
- Searcher becomes the CEO of the acquired business

Phase 3: Operation & Growth

- Searcher runs the business for 5-7 years typically
- Focus on growing and improving operations
- Eventually sells the business for a liquidity event

Search Fund Evolution: The Basic Model

Typical Target Profile (according to Stanford GSB Survey)

- \$7.3M average revenues with \$1.9M average EBITDA
- 40 employees average
- \$14.4M median purchase price
- Essential services with recurring revenue
- Aging ownership needing succession plan

The Growth Story

"The space has become really competitive. Prices have gone up. Business owners are much more aware and educated about what their business is worth." –Matthew Burr, Red Forest Capital

- 94 new search funds launched in 2023 (a record)
- Now global phenomenon beyond just Harvard/Stanford
- Part of business school curriculum at many universities
- Successfully exited funds achieving 42.9% IRR

A HoldCo Example

Bill Tyndall's Tynrose structure offers permanent capital advantages:

- 49% to capital partners with 2x liquidation preference + 10% annual return
- Multiple subsidiaries as business pillars (managed services, security, etc.)
- Zero voluntary churn from employees and clients
- People-first M&A approach focusing on cultural fit over pure metrics

"I can fix math. I can't fix culture."

Private Credit Innovation

Lower middle market businesses are being served by innovative debt providers:

"We're doing 15% to 17% fixed cash pay coupons plus big equity contributions. We don't really have to worry about return compression like big private credit." -Paul Gottheim, Old Hickory Partners

Market Dynamics:

- Regional banks retreating from riskier lending
- Big private credit can't serve smaller deals efficiently
- Creative structures enabling higher founder ownership

Contrarian Thinking Capital: The Media + Capital Flywheel

Contrarian Thinking's model represents an alternative approach:

- Codie Sanchez (CEO, Contrarian Thinking) 9.5M followers, 130M monthly views
- 40¢ of every VC dollar typically goes to user acquisition
- Replacing ad spend with organic distribution via Contrarian's media presence
- Teaching portfolio companies to build their own media moats

"We have an immediate doubling of our investment dollars just by the fact that those dollars now can be spent on something else." -Codie Sanchez, Contrarian Thinking Capital

Result: Portfolio companies want them to reinvest and lead rounds despite not being a multi-billion dollar fund.

The Future of Main Street

Capital Market Evolution

New models emerging to serve underserved segments:

"Our end of the private credit market is completely different. There are generally very few competitors, if any, that are playing in our space. We are not seeing pricing degradation on our deals." -Paul Gottheim, Old Hickory Partners

Technology Infrastructure Buildout

The next wave of value creation could come from building the picks and shovels:

- **Market Size:** 33 million US small businesses, 45% of GDP
- **Technology Gap:** Most still operate on “pen and paper”
- **Opportunity:** Vertically integrated software solutions for each industry

ServiceTitan, several billion dollar IPO, will still probably only be applicable to about 1.5% of all services industries. The company provides customer relationship management software for tradespersons.

Investment Theme: Build the technology stack that enables Main Street digital transformation.

Generational Workforce Shift

Cultural attitudes toward trades and entrepreneurship are changing:

- **Job Security Perceptions:** 53% of Gen Z fear AI will replace their white-collar jobs, while 33% believe trade professionals have more job security than white-collar counterparts.
- **Adoption Patterns:** Gen Z/Millennial owned businesses leading in AI tools and automation, while Baby Boomer+ owned businesses present significant modernization potential.

Multiple Value Creation Levers

Unlike mature markets, Main Street offers numerous improvement opportunities:

1. **Technology Integration:** Basic digitization creates immediate value
2. **Professional Management:** Replacing founder-led operations
3. **Financial Optimization:** Moving from cash to accrual accounting
4. **Strategic Growth:** Add-on acquisitions and market expansion
5. **Operational Excellence:** Data-driven decision making

Why Main Street Businesses, Why Now?

The Demographic Tsunami

11,000 Baby Boomers retire daily with all reaching age 65 by 2030. The numbers are staggering:

- **\$14 trillion in business wealth will transfer over the next decade**
- **51% of U.S. businesses owned by individuals aged 55+**
- **73% of business owners plan to exit within 10 years**
- **80% of their net worth tied to their business**

"We have gone from a nation of owners to what we call a nation of serfs and renters." -Codie Sanchez

The Succession Crisis: Most kids don't want dad's business - they want to be influencers, not franchise operators. This creates forced sellers with limited succession options.

The Structural Capital Gap

A massive mismatch exists between available capital and market need. The Numbers:

- **\$3.4 trillion in total private equity capital**
- **90% sits in large cap funds targeting mega-deals**
- **91% of companies (344,311 businesses) with \$5M-\$100M revenue are underserved**

"Banks are not in the business of lending money anymore, which is where we've showed up." -Paul Gottheim, Old Hickory Partners

The Result: Reduced competition, reasonable valuations (5-7x EBITDA vs. double-digit for large cap), and greater selection for disciplined investors.

The Technology Inflection Point

For the first time, enterprise-grade technology is accessible to Main Street:

- **91% of small businesses likely to consider AI services in next 12 months**
- **Our competition is “pen and paper” - massive modernization opportunity**
- **60% cite ineffective cash flow management as major risk**
- **Digital transformation tools finally reaching critical mass**

"We are in the top of the first inning right now in terms of where the vast majority of small to medium sized companies are." -Bill Tyndall

The Opportunity: Take gross margins up through data-driven operations and automation.

Proven Investment Models

Multiple validated approaches are scaling successfully:

- **Search Funds: 35.1% IRR, 4.5x ROI since 1984 with a record 94 new funds launched in 2023**
- **HoldCos: Permanent capital creating diversified portfolios with operational synergies**
- **Private Credit: cash coupons plus equity upside serving underbanked segment**

"You wanna own a piece of America. You're not gonna bet against the ingenuity of small business in America." – Adam Blum, Old Hickory Partners

Economic Resilience

Main Street businesses demonstrate remarkable durability:

"If businesses aren't overvalued and they aren't overleveraged, they can manage through adversity."
-Scott Donaldson, Old Hickory Partners

Characteristics:

- Essential services with recurring revenue
- Local market monopolies or oligopolies
- Established customer relationships
- Proven business models

Time-Sensitive Window

The opportunity won't last forever:

- Demographic cliff creates forced timeline
- Technology adoption accelerating rapidly
- Competition increasing as more capital discovers the space
- Valuations rising as awareness grows

Bottom Line

We see a rare convergence: millions of quality businesses coming up for sale, new generations hungry for stability and freedom, and tools emerging that allow owners to scale smarter, faster, and with less overhead... the opportunity on Main Street has never been more real - or more scalable.



Thank You for Reading!

Next month we'll be exploring **Crypto & Digital Assets**.

2025 Monthly Thematic Event Calendar	
April	Sports
May	Dual-Use Technology + National Security Interests
June	Main Street Businesses + the Generational Transition of Ownership
July	Crypto Digital Assets
August	National Debt and Deficits
September	Energy the Nuclear Renaissance
October	Health, Wellness, and Bio-Sciences
November	AI Proliferation
December	Distressed Commercial Real Estate

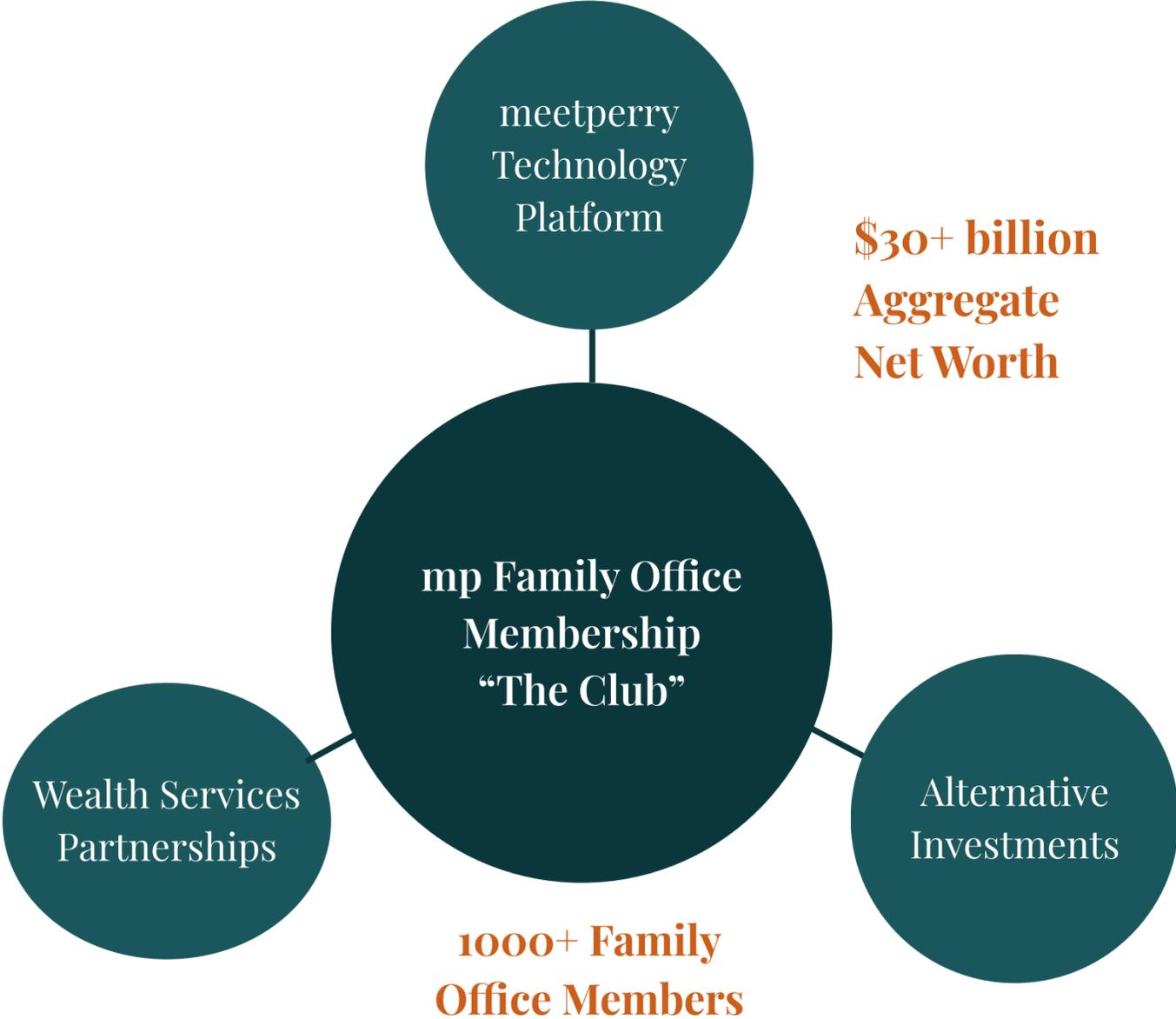
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