

(DON'T!)

**WASTE
WATER**

Karl Michael Millauer

is the Founder of KMM Consulting and a former C-Level executive in some emblematic water groups like BWT, Christ Water Technology, Aquatech International, and Aquarion AG.



The water industry features some behemoths that regularly make the news: Veolia, Xylem, Suez...

There's a fascinating wave of cool kids worth several thousands of millions, like 374Water or NX Filtration, and a growing pack of high-profile scale-ups raising tens of millions in seed rounds and Series A like my former guests Klir, Epic Cleantec, Source, or ZwitterCo.

Yet the water sector is also one of these typical places where the iceberg metaphor holds true!



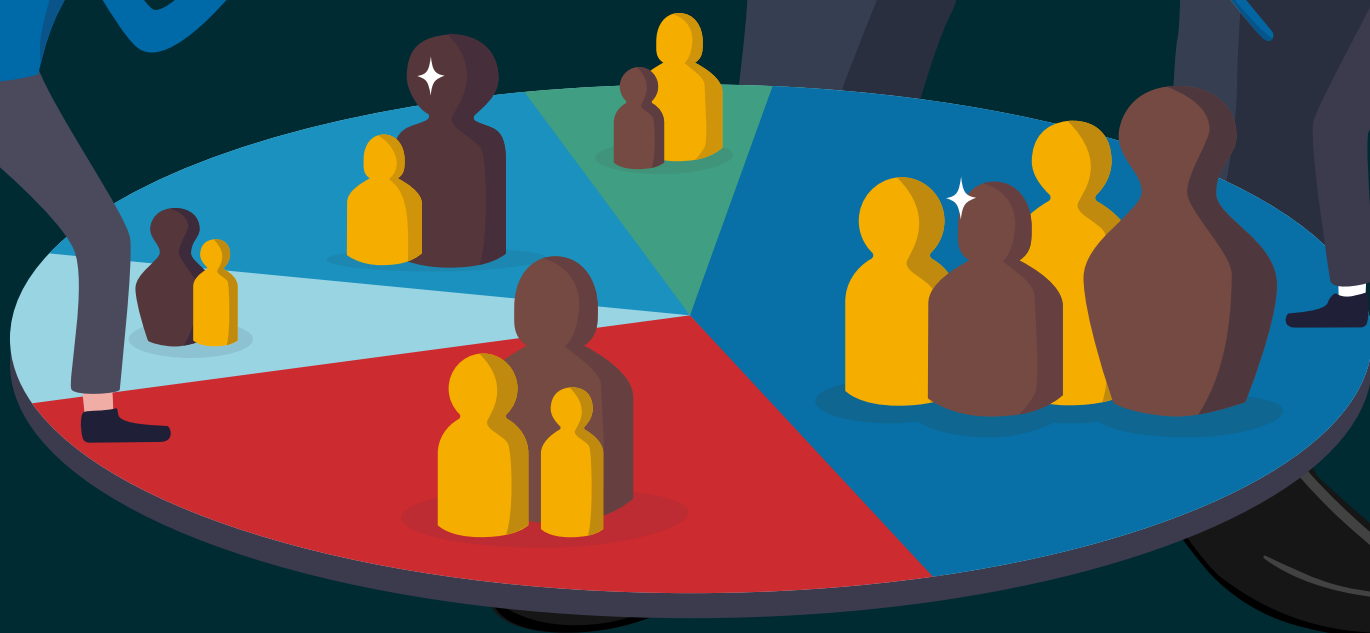
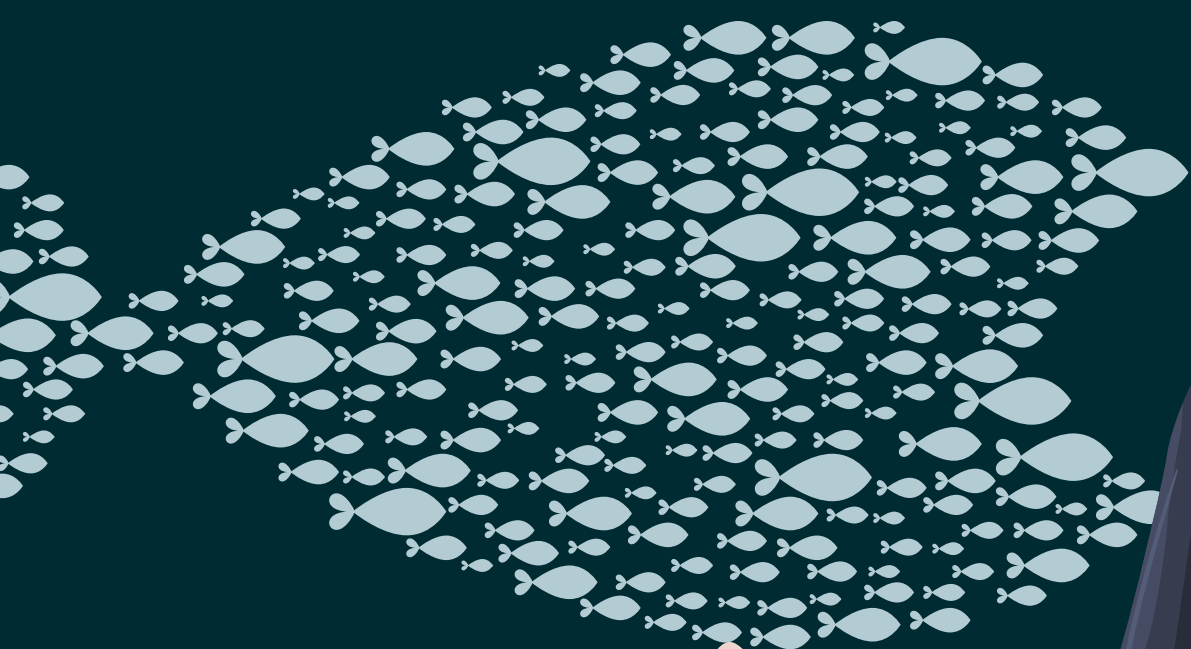
The 50 largest water companies combined only represent 25% of the total market, which by extension, highlights how there's an ocean of small-sized players that support all shades of water applications!

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And while big players get a lot of attention, expert support, and coverage when they merge or consolidate, smaller actors have long been left in a no man's land.

I'm not a McKinsey, Roland Berger, or KPMG. I'm KMM Consulting. I focus on the niche markets where the big guys are not looking at, and on these smaller companies, typically from startup companies with zero revenues up to 30 million €.

Indeed, regardless of their relatively smaller size, these water actors also need to evolve along their entrepreneurial journey.



Sometimes it's about raising money to grow into the next step or finding new partners. And sometimes it's quite straightforward:

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In most cases, there's a succession problem. The founders have no kids or nobody to take over; therefore, they want to sell. That's about two-thirds of my sales-side mandates.



Now one would think selling a healthy business in a sustainable field like water should be no big deal, right? Well...

I have companies that have been profitable for 45 years and never ever made a loss. Companies that have found very good niches which are scalable! But for many potential buyers, the minimum sales shall be 20 million. Otherwise, they don't even look at it...



That's the doom of many great small businesses. They have built their position in the market and sustain the living of dozen families. Yet they are not big enough to provide a straightforward exit for their founder.

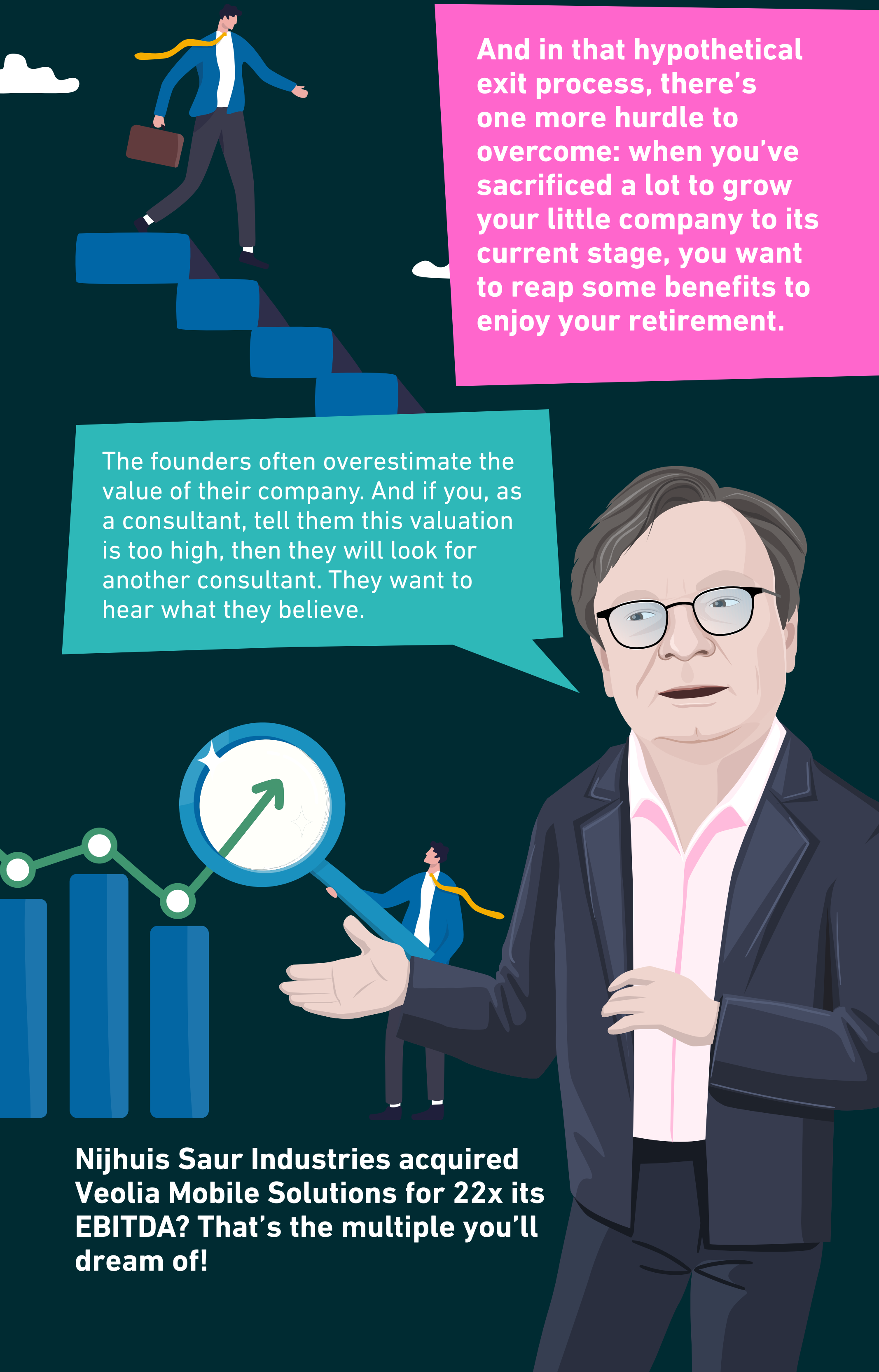
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And in that hypothetical exit process, there's one more hurdle to overcome: when you've sacrificed a lot to grow your little company to its current stage, you want to reap some benefits to enjoy your retirement.

The founders often overestimate the value of their company. And if you, as a consultant, tell them this valuation is too high, then they will look for another consultant. They want to hear what they believe.

Nijhuis Saur Industries acquired Veolia Mobile Solutions for 22x its EBITDA? That's the multiple you'll dream of!



But there's a reality check:

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I would say 5 to 6 times your EBIT is the maximum you can get.



Getting valuation right is one thing. The next is to turn a technical founder - sometimes kind of a mad genius - into a cold-hearted businessman and storyteller.

In our business, marketing is very important. I've seen amazing technology companies where the owner simply could not sell his company. Being so strongly technically driven, he was drowning himself in so many nitty-gritty details on each question that all investors fell asleep!



And suppose you're able to overcome that one as well, well, the new owner might be concerned that your technical-mad-genius-brain may also go missing if you go enjoy your well-deserved beach retirement.

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When the whole company is focused on this person only, it's very difficult to sell because every buyer says, sorry, I need you for another two, or three years. We have to build up a successor! What happens with the network, the know-how, the contacts... In our business, people are the most important.



To conclude: yes, there are many hurdles to overcome to sell a small-size water sector jewel company. But there are also many great opportunities, and for some weeks now, there's even a GWI marketplace to find them listed!



Investors, big groups, smaller ones willing to grow externally: that's your chance.

Wanna take the plunge? Karl Michael will happily be your guide!

Don't miss a single bite: head over to dww.show!