Cottage

A micro-PE roll-up acquiring 8–20 orphaned solopreneur B2B SaaS tools ($150k–$2M ARR each), running them all on a shared AI-augmented ops stack with structural cost advantage no incumbent can match.

Category	Set 3 · Post-AI Plays
Customer	Investors (LPs in the fund); operationally serves the existing customer bases of acquired SaaS tools
Monetisation	Cash flow from acquired ARR · GP/LP economics if structured as fund · exit multiples on consolidated portfolio
Build effort	High
Plan version	v1.0 — 2026-05

Executive Summary

Cottage is a micro-PE strategy acquiring small bootstrapped B2B SaaS tools ($150k-$2M ARR) and running them on a shared AI-augmented ops stack with structural cost advantage. The opportunity emerged from two converging dynamics: (1) thousands of solopreneur SaaS tools built in the 2016-2022 IndieHackers/Twitter era are now operated by founders entering 40s/50s wanting to step back, with no obvious exit pathway because they are too small for traditional acquisition; (2) AI-augmented operations (LLM-driven customer support, content marketing, billing, and product development) has reduced the ongoing cost of operating such a tool by 60-75% vs. founder-operated baseline.

The thesis: acquire 8-20 such tools over 24 months at 2.5-4x ARR multiples (the going rate on MicroAcquire / Acquire.com for this segment), consolidate them onto a shared back-office (one billing system, one support team, one marketing function, one engineering team), and run the consolidated entity at 55-70% net margin vs. the 25-40% margin a typical solopreneur operates at. The consolidated entity can either be held for cash flow ($4-7M annual distributions on a $30-50M acquisition cost) or sold to a larger consolidator (Tiny, WP Engine, Constellation Software) at 5-7x ARR.

Year-1 target: complete 6 acquisitions totalling $4.5M in acquired ARR at $14M aggregate purchase price, run the consolidated entity at 58% net margin ($2.6M EBITDA), and set up the operational infrastructure for the next 14 acquisitions. Capital required: $18-25M (either as a small fund or as founder/angel capital). Returns scenario: portfolio at year 4 generates $9-12M annual EBITDA with $50-90M exit value.

The Problem

The IndieHackers / bootstrapped SaaS movement of 2016-2022 produced thousands of small but real B2B tools — invoice generators, SEO trackers, lead-generation aids, productivity utilities, specialised analytics, niche CRMs. Many of these reached $150k-$2M ARR with one founder + one or two contractors. By 2025-26 a substantial fraction of these founders are 38-55 years old, often with families, with the founder's daily attention to the tool having decayed but the customers still paying.

These founders face a difficult exit problem. The tool is too small for traditional M&A; — strategic acquirers don't bother below $5M ARR. The MicroAcquire / Acquire.com / Flippa markets exist but produce 2.5-4x ARR offers (the going rate for distress-priced or attention-priced small SaaS) which most founders accept after months of poor experience rather than wait for a better offer that never comes.

From the buyer's perspective, the opportunity is structural. A solopreneur running a $400k ARR tool typically spends $180-260k/year on operations (customer support, hosting, marketing, occasional contractor work, founder's own opportunity cost). A consolidator running 12 such tools on shared infrastructure can spend $1.2-1.8M/year operating all 12 — vs. $2.5-3.2M aggregate cost if each were standalone. The arbitrage is real and persistent because solopreneur founders cannot replicate it.

The further unlock is AI. As of 2026, LLM-augmented customer support handles 60-75% of tickets without human escalation; AI-generated marketing content scales without proportional headcount; AI-augmented engineering on stable codebases reduces maintenance load by 40-50%. This means the consolidator's cost structure improves further over the next 24-36 months in ways the solopreneur cannot capture.

The Solution

Cottage operates as a small private-equity vehicle (either fund structure or founder/angel capital) with a 24-month acquisition window and a 4-year hold horizon. Acquisition target: 8-20 B2B SaaS tools at $150k-$2M ARR each, purchased at 2.5-3.5x ARR (with stretches to 4x for high-quality assets). Aggregate acquired ARR target: $6-15M; aggregate purchase cost: $18-50M.

Operational thesis. Each acquired tool is migrated onto a shared platform stack within 90-120 days post-close: shared billing (Stripe + custom subscription management), shared customer support (small in-house team augmented heavily by Intercom Fin AI / Anthropic / OpenAI conversational AI), shared content and SEO marketing (small team running all portfolio sites with AI-augmented content production), shared infrastructure (Hetzner cloud, Postgres on Neon, Cloudflare CDN — total monthly infrastructure for 12 tools: ~$8k vs. $24-40k if each ran independently).

Product engineering on acquired tools is intentionally minimal — these are mature, stable codebases; the thesis is to extract value from the existing customer base, not to invest into growth. The shared engineering team (3-5 people for 12+ tools) handles security patches, dependency updates, small customer-requested features, and ongoing AI integration. Growth investments are reserved for the small subset of tools (1-3 of 12) showing clear product-market expansion potential.

Three structural differences from the comparable players (Tiny, ConstellationSW, BregalSagemount's small ops, Sureswift, WPEngine's acquisitions) define the wedge. First, smaller deal size (we play in the $150k-$2M ARR band that they overlook). Second, AI-native ops architecture from day one (Sureswift and Tiny built their ops in pre-AI 2020-2022 cost structures). Third, India-staffed operations (60% of ongoing operational headcount in India; significantly lower cost basis than US-staffed competitors).

Market Opportunity

Estimated 4,500-7,000 bootstrapped B2B SaaS tools in the $150k-$2M ARR band globally as of 2026, of which roughly 25-35% have founders openly or quietly considering exit. The active market of listings on MicroAcquire / Acquire.com / Flippa typically shows 800-1,400 active listings in this band at any given time, with new listings adding several hundred per month.

Acquisition multiples in this segment have been remarkably stable at 2.5-4x ARR through 2022-2026 (despite VC market volatility), because the buyer pool is small (~30-50 active micro-PE-style acquirers globally) and the seller pool is fragmented. The arbitrage spread (acquire at 3x, run at 60% net margin = 5x EBITDA at acquisition) is structurally sustainable.

The end-game exit options are: hold for cash flow indefinitely (the Constellation Software model), sell to a larger consolidator at 5-7x ARR after 4-5 years (Tiny has acquired multiple portfolios this way), or take the consolidated entity public after sufficient scale (>$50M ARR; longer time horizon). At year-4 portfolio of $12M ARR, exit value is $60-84M; if entered at $30-40M aggregate cost, IRR is 18-26%.

Target Customer

Customer (for the acquired tools) — primary persona: a 36-year-old Director of Marketing at a US mid-market SaaS company using one of the acquired tools as part of her stack. Cares about: tool works reliably, support responds quickly, occasional small feature additions. Does not care about: who owns the tool, what the roadmap is, whether the original founder is still involved. This is the customer Cottage retains effortlessly because nothing changes from the customer's perspective.

Selling-founder (acquisition target) — primary persona: a 47-year-old founder of a $480k ARR niche analytics tool that he built in 2019 and now operates 12 hours/week with one contractor. He wants to step back and take a higher-paying full-time role or focus on a different project. Will sell at 3x ARR ($1.44M) for clean exit, with 20% earnout structure linking some of the consideration to 12-month retention.

Investor (LP) — primary persona: a family office in Singapore or a high-net-worth individual in San Francisco looking for cash-yielding alternative investments. Will commit $2-5M to a Cottage fund structure with 8% preferred return + 20% carry over 7% hurdle. Returns target: 14-22% IRR over 5-7 year hold with quarterly distributions starting year 2.

Product

Acquisition pipeline: continuous monitoring of MicroAcquire, Acquire.com, Flippa, plus direct outreach to founders matching profile (LinkedIn + IndieHackers community). Standardised diligence playbook: ARR validation, churn analysis, customer concentration check, technical debt assessment, contractor / founder dependency assessment, IP audit. Average diligence time per qualified target: 35-50 hours.

Shared ops stack: single billing platform (custom-built on Stripe), single customer support system (Intercom + Fin AI as front line; in-house team for escalations), single marketing stack (Ghost for content sites, shared SEO tooling), single infrastructure (Hetzner cloud, Cloudflare, shared monitoring), single CRM and operational dashboard.

AI augmentation: customer support powered by retrieval-augmented Claude/GPT against each tool's documentation, with confidence-thresholded human escalation. Content marketing AI workflow producing ~80% of new content drafts with human editorial pass. Code-maintenance AI assistance via Claude Code for security updates, dependency updates, small bug fixes. Estimated AI operational cost: $2-3k/month for the whole portfolio.

Operational team structure: 1 portfolio CEO + 1 finance/ops lead + 1 engineering lead + 3 engineers (shared across all tools) + 4 customer support specialists + 2 content/SEO marketers + 1 acquisitions lead. Total ongoing payroll: ~$1.3-1.7M/year for 12-tool portfolio.

Reporting and governance: monthly investor reports with portfolio-level + per-tool metrics, quarterly board meetings, annual portfolio review with go/no-go decisions per asset.

Technical Architecture

Shared billing platform: built on Stripe + custom subscription-management layer (consolidated billing across tools, single tax/compliance handling, single revenue-recognition reporting).

Shared support platform: Intercom + Fin AI as front-line; Slack for internal escalation; per-tool knowledge bases in shared Notion workspace.

Shared marketing infrastructure: Ghost (CMS for content sites), Ahrefs (SEO across portfolio), Buffer (social), HubSpot CRM.

Shared engineering tooling: monorepo for the tools where feasible (where codebases are compatible), GitHub Actions for CI/CD, Sentry for error monitoring, Linear for project management, Claude Code as primary AI engineering assistant.

Infrastructure: Hetzner cloud (cost-effective European data centres), Cloudflare CDN, Postgres on Neon, S3-compatible storage on Backblaze. Total monthly infrastructure for 12 tools target: $7-10k.

Financial / portfolio management: QuickBooks for entity-level accounting, Carta for cap table, Notion for portfolio CRM and acquisition pipeline.

Business Model & Unit Economics

Revenue: aggregate ARR of acquired portfolio. Target $4.5M ARR by end of Year 1, $9M by end of Year 2, $12M by end of Year 3.

Costs: ongoing operational costs ~30-40% of revenue at portfolio scale (vs. 65-75% for solopreneur-run baseline). Major cost lines: shared team payroll (~14% of revenue), AI infrastructure + ops infrastructure (~6%), customer support tools (~3%), marketing tools (~2%), legal + finance + admin (~5%).

Acquisition multiples: target 2.5-3.5x ARR average. With $4.5M ARR acquired in year 1 at 3x average = $13.5M deployed; year 2 adds $4.5M more ARR at $13.5M more deployed; year 3 adds $3M more ARR at $9M more deployed. Total capital deployed by end of year 3: ~$36-42M.

Returns: at $12M ARR running at 60% net margin = $7.2M annual cash flow. Held for cash: 5-year cumulative distributions of $30-40M against $36-42M deployed = 14-18% IRR (modest). Sold at exit: 5-7x ARR = $60-84M against $36-42M = 12-22% IRR depending on multiple. Combined cash-yield + exit scenario realistic at 18-26% IRR over 5-7 year hold.

Unit Economics (Year-1 base case)

Year-1 acquisitions (target)	6 tools
Year-1 ARR acquired	$4.5 million
Year-1 aggregate purchase cost	~$13.5 million
Year-1 operating cost (post-consolidation)	$1.8 million (40% of revenue)
Year-1 EBITDA	$2.6 million (58% margin)
Capital required (year-1)	$18 million (acquisitions + working capital + ops setup)
Year-4 target ARR	$12 million
Year-4 exit value range (at 5-7x ARR)	$60-84 million

Go-to-Market

Channel 1 — Acquisition sourcing (active pipeline): monitor MicroAcquire / Acquire.com / Flippa daily, direct outreach to identified founders matching profile (300+ targeted founder contacts/month), participate in IndieHackers / Slack communities where founders discuss exit. Pipeline target: 80-120 qualified acquisition candidates evaluated/year, 6-8 closed.

Channel 2 — Customer retention (passive — do not disrupt): post-acquisition customer communication is intentionally minimal. Customers should not notice the ownership change. Retention target: <2% incremental churn from baseline.

Channel 3 — Investor cultivation (capital sourcing): direct outreach to family offices, AngelList syndicate-style structures, and operator-investors (founders with successful exits looking for cash-yielding investments). Capital target: $20-25M committed by end of year 1.

Channel 4 — Strategic-partner relationships: relationships with the larger consolidators (Tiny, ConstellationSW, WP Engine) who are potential year-4 exit acquirers — establishing the relationship pre-exit reduces eventual transaction friction.

Roadmap (first 12 months)

- Month 1-3: Capital raise complete ($18-25M), legal entity setup, ops team hired (CEO, finance lead, engineering lead, 2 engineers), acquisition pipeline activated, first acquisition closed (~$400-600k ARR).

- Month 4-6: 2 additional acquisitions closed (total $1.8M ARR acquired), shared ops stack v1 operational, first tool fully migrated to shared platform.
- Month 7-9: 2 more acquisitions (total $3.3M ARR), customer support consolidated to shared team with AI augmentation, marketing operations consolidated.
- Month 10-12: 1 more acquisition (total $4.5M ARR), all acquired tools fully migrated, 58% net margin run-rate achieved, year-2 acquisition pipeline of 12-15 qualified candidates.
- Year 2-4: 8-14 additional acquisitions, portfolio to $12M ARR, operational maturity to 60-65% net margin, exit-conversation pipeline with larger consolidators.

Key Risks

- Acquisition-quality risk: a tool acquired at $400k ARR that subsequently churns 35% over 12 months destroys the unit economics — mitigated by rigorous churn-history diligence (we model 24-month retention curves on every target), by founder-earnout structures linking part of consideration to 12-month retention, by conservative acquisition pricing (3x ARR rather than 4x).
- Capital deployment risk: deploying $18-40M into small acquisitions takes time and capability; slow deployment depresses fund returns — mitigated by dedicated acquisitions lead from month 1, by 24-month deployment window in fund structure, by aggressive sourcing from multiple channels.
- Operational complexity at scale: running 12+ tools on shared infrastructure requires meaningful systems maturity; teams that have not done this before underestimate the difficulty — mitigated by hiring an experienced ops lead (someone who has run similar portfolio at a prior consolidator), by methodical 90-day migration playbook per acquisition, by accepting 3-5 months of suboptimal operations during early integration.
- Multiple compression: acquisition multiples could rise (more competition) or exit multiples could fall (broader SaaS multiple compression has happened periodically) — partial protection from cash-flow generation in the meantime, but exit-IRR exposed; mitigated by long hold flexibility (does not have to sell on a particular timeline).
- Concentration / single-asset risk: in a 12-tool portfolio, if one tool is 35% of ARR and that tool's market disappears (Twitter API changes, niche becomes obsolete), portfolio is materially impaired — mitigated by diversification targets (no single tool >20% of portfolio ARR at acquisition), by category diversification (no more than 30% of portfolio in any single category).