

How Daniel Javor Reinvented Modern Day Investing

His micro private equity investments has expanded his portfolio while he works from wherever he wants.

Micro private equity.

This financial term may have limited recognition by the general public but it could become a surging trend in the coming years, one of its current pioneers predicts.

Divestopedia boils down the definition of micro private equity: Organized pools of capital used in the acquisition of businesses under $5 million in enterprise value.

Traditional private equity will usually not acquire businesses below this valuation level due to the lack of systems and sophisticated management generally associated with businesses of this size. Micro private equity is not typically structured as a formalized fund, but, rather, a group of high-net-worth individuals that will invest on a deal-by-deal basis.

Daniel Javor is a micro private equity investor who is taking his strategies to new heights and living his "best life" by managing his enterprise remotely and working from locations around the world. Born in Austria, he moved to Tel Aviv

when he was 17 to go to college and stayed to launch a series of companies; after spending a decade in Israel, he moved to the United States two years ago.

Javor is a natural for acquiring and running content and e-commerce businesses. He discovered a talent for it when he was in his teens, when he started buying and selling online at 13. “I was really passionate about trading cards and was one of those kids that knew all the prices by heart.” Then, e-commerce emerged in 1997 during the early days of eBay.

Not long after, Javor recognized the changes occurring in the private equity ecosystem, resulting in the little-known area of micro private equity that presented tremendous opportunity, he says.

“Private equity is a company that raises funds from private investors as well as institutional investors and they go through a certain fund goal. With that money, they start strategically acquiring companies. Once they have a certain number, they can start streamlining the businesses, which makes everything more efficient and the company as a whole makes more money if they have strong control systems and the leadership is good at structuring and managing.”

Micro private equity focuses on acquisition businesses that are valued at $5 million or less, which traditional private equity won’t bother with because the numbers are too small.

“That’s where people like me come in,” Javor says. “We don't have to raise hundreds of millions of dollars from several investors. We can recognize the value of small businesses, then streamline and improve them in much the same way. This allows me to operate a portfolio by myself and instead of having to give control to a big company, I make decisions myself and bring my own value and knowledge to it.”

Many small business owners, he says, do not realize they can exit their companies quite painlessly and walk away with a cash out that can be multi-millions of dollars.

“Very often when I approach people to ask if they want to sell their business, they’re surprised,” he says. “They say, ‘You want to buy my business?’ There are people with online or Amazon brands that have built up a track record and they now have a way of exiting and changing their lives. And investors like me have a way to do strategic acquisitions of companies that fit my portfolio.”

Javor says he prefers businesses where the owner is not required to stay on board or companies that are very straightforward as they’re easier to manage and scale. If there is a learning curve where he needs certain training or guidance from the owner, they will settle on a period of time, but it’s usually not more than 90 to 150 hours additional.

“That’s the beauty of an online business dynamic today,” he says. “If I bought a dry-cleaning business, for instance, it’s much harder to grow and scale but when you focus on online, I can be on holiday in Mexico, where I manage businesses all over the U.S. because everybody is remote. It’s simple.”

He owns companies from multiple industries but his main acquisition targets are content, e-commerce and software as a service (SaaS).

If an owner is interested in selling, how does he or she present their company to be considered for acquisition?

There are three key variables, Javor says, that the owner needs to showcase: Age, Stability and Quality

“A company needs to be at least two years old,” he says. “It’s possible to sell a business that’s younger but then you won't be able to sell it for the same price. Investors want to see at least two cycles because the first two years is usually the starting phase so the first year is nothing you can really count on.”

Next is proof of stability and steady, reliable growth, without any unexplainable downward spikes. Proof of supplier stability is also necessary.

“Selling online, we need to know the suppliers are reliable and there are backups, if one supplier has an issue, it can easily be replaced,” he says. “For content, we want to ensure there are no issues that indicate problems with Google, for example.”

Also, the company should be organized and managed in a way that’s makes it easy for a new owner to come in and manage without any significant downtime.

“I have a team that streamlines and manages the whole portfolio, which is my advantage,” Javor concludes. “I can onboard and scale every business I buy quickly, which offsets costs. It’s an ideal opportunity and scenario.” — ***By Susan Belknapp, California Business Journal***

Editor’s note: Javor is also focused on three nonprofits: One is a community center in Israel for youth and older people. The second is Birthright Israel, which offers free 10-day trips to Israel for Jewish young adults, where they’re matched with people of similar age and nationality for ease of travel. He is also involved in Save the Children, the global humanitarian aid organization founded in 1919.