

Thomas Smale

Jaime: Welcome to Eventual Millionaire, I'm Jaime Tardy, and I'm really excited to have Thomas Smale on this show. He co-founded FEInternational.com, which buys and sells websites, and he did this since 2010 so I have tons of questions for him on how quickly he built it. Thanks so much for coming on the show today, Thomas.

Thomas: Thanks, Jaime.

Jaime: So it's crazy 2010, I started Eventual Millionaire in 2010, that's not that long ago. And yet I'm interviewing you. So why don't you tell me how quickly you were able to grow that, did you have a business background to begin with?

Thomas: So I actually started FE International - at the time under a different name, but basically the same business - straight out of university. So my background was a business degree but I didn't have any experience in business. At the time I didn't have any experience or any contacts, it took about two years to regularly make good money and get to a stage where we could employ people on a sustainable basis. So I'd say two years before any tangible output and from there it's sort of grown year upon year, pretty much doubled FE here on out. But the first year was definitely the hardest.

Jaime: Well that's the thing, people don't hear that, they go, "Oh my gosh, you're doing so well in five years." But the first two years kind of sucked. Tell me about how it was, especially when you didn't have business background. I mean, you had a "business background" because running a business is very different than learning about business in college. But tell me about how those first two years were.

Thomas: I guess the other thing when you're starting out a bit is you don't know exactly where the business is going to go and what exactly you're going to do. So a lot of things we did back in 2010 we don't do now, and a lot of things we do now we didn't do then. So for a start the business sort of changes and you will see a lot of lessons along the way of mistakes. In the real world, things don't quite go how the books tell you they might turn out.

And the first couple of years as well. Especially if you don't have outside funding, you're sort of reinvesting basically everything that you make back into the business. So it wasn't necessarily that we weren't making any money, more to that fact that I didn't pay myself much, everything went back into improving system processes, investing in stock, offices, legal counsel, and all of these things add up. And as you grow you continuously reinvest, which I think people forget about.

Jaime: Heck, yeah. How many people do you have working with you guys now?

Thomas: We just hit ten, including myself.

Jaime: Nice. What were those pivotal moments? You said as you were going through you can read all about them, but it's very different when you're going through them. What were some of those pivotal moments for you?

Thomas: I think some of the big milestones. So I think the first office was a big - not shock to the system - but there's a lot of things going into this general setting up and registering a proper company. Hiring your first employee. These are all big things. And then obviously from the brokerage perspective the first six figure deal we did was pretty big, because that sort of gets you seen and people realize maybe there is a sustainable business in this.

Our first million dollars in revenue we hit last year, that was a big milestone. So there are some milestones as you go along, but I think initially getting the company started, getting your first employee, your first big sale, and from there we do have small milestones as you go. But, these are definitely the more important ones.

Jaime: What did you have to learn in order to do that? Like, hiring your first employee - I get questions about this all the time - people are like, "Well, when's the right time when you get your office, how do you figure that out?" How did you know it was the right time for those things?

Thomas: At the time what we actually did was decide once we made a certain amount of money - I think we aimed for \$50,000 in a six month period - we decided if we did hit that amount in that period that we would invest \$30,000 of that back into opening an office and hiring an employee. So for us we had a goal of a finance number where for us to get there was enough for us to pay for an employee for three months.

I've always been keen to sort of reinvest in the business so we set a financial goal in a certain period of time. In terms of how I hired the employee, it was more just a case of advertising the job and figuring out how she'd get along. There's ten of us now, I wouldn't necessarily say I've got the perfect solution for hiring people, but I'd like to think I've done a pretty good job. It does get easier, there isn't any secret formula or perfect way of doing things. You have to figure it out, I guess.

Jaime: How scary is it to go, "We have three months that we can pay the person in the office and if we make no money we have to kick them out and fire the person." How does that feel, how do you deal with that? Were you super confident, no big deal, I've got this, or was it worrisome?

Thomas: I think that depends on the personality type. I think I'm quite competitive and actually quite lazy as well, so without anything to kick me in the arse and say, "If you don't make enough money to pay the rent, then you're out." So I'm the kind of person that finds that motivating, other people might find that scary. So it's really your personality type that makes a real difference there. But I've always found that kind of pressure important to keep me motivated and

keep me pushing. I think if you had three years of cash in the bank, you'd probably be more likely to do just what you need to get by, not really pressure.

Jaime: It's funny how different people take different things. That motivated you and someone else might be like, "Ah, too much risk." It's crazy. So tell me an example of what you will actually purchase and how you make it better. Because I want to sort of get into the nitty gritty of how you actually do this because I find it really interesting.

Thomas: One of the things I've been saying from the beginning and it's sort of pivoted over time, very early in the business 95% of our revenue was buying and selling sites for ourselves, and now it's more like 90% of our revenue is brokering and selling for other people.

Nowadays we still do buy sites for ourselves just to kind of keep up with the industry. I mean, what client wants to actually hire someone who hasn't actually done what they're selling themselves? So we still buy and sell just to make sure we have the experience. So when I'm buying nowadays - we used to buy more from an investment perspective - but now we only buy things strategically relevant to our business.

Now we only look for sites that are relevant to what we do, so I'm not necessarily looking for a return in revenue, I'd be looking for a mailing list or bulk readership, whereas a lot of our buyers are purely looking at a cash return. When I started out that was pretty much what I was doing, I didn't really care what I bought, it was more if I can turn a dollar into \$10, or \$10,000 into \$100,000. Whereas now if I invest \$45,000 I'm not so worried about getting my cash back in the first 12 months. So it's really just a case of what's right for you, I wouldn't necessarily say there's a right criteria you should have. It should be just what you're actually trying to get out of it and your situation.

Jaime: Do you stay in the same niche - especially when you first started - did you stay in one, specific industry or did you go all over the place? Because it seem slike every different business you'd' have to learn a whole, new set of information.

Thomas: Yeah, I think when I started out we were only playing around with \$50 or \$100 so we found different business models and niches. Nowadays I kind of stick in one industry and obviously that's just what we do. But I tried all sorts. I didn't really have any particular business model I liked. But I'd say if you were serious about it and you had a lot of cash and you know what you are looking for, then you should definitely be specific in your niche. Do you want an ecommerce business, do you want a service business, do you want a content business? Soa gain that really depends on what's a good fit for you and what you like.

Some people will want to buy a service business because they're service oriented and that's what they're good at. For other people it might be they're really technical, they might want to buy a software business. So again, like how you might set goals for yourself, it really depends on your personality type, what fits you and what fits your business goals.

Jaime: Sometimes we don't know some of those things, so that's probably why you try a bunch of things out before you figure it out. But you also started with no money. How did you buy your first business if you started out with no money?

Thomas: Well, I say no money but I used a bit of artistic license. We had about £100, which is about \$150 to my name. So it literally was playing around with nothing.

Jaime: How did you buy anything with £150, though?

Thomas: Well at the time you could buy some websites out there, at the time they were only about \$50. But it was turning \$50 into \$150, and then \$150 into \$500, and then moving up from there. I don't know if that's possible these days, but certainly was back in 2008-2009 when I was playing around.

Jaime: A lot of people that listen to the show want to start their own site and stuff like that. Would it be more beneficial for them to go buy one that's already been going for a little while, and how much would a site that's been going for a year or two go for - depending on readership and all that?

Thomas: I guess that's the million dollar question, what exactly are you trying to achieve. And again my general advice, \$10,000 and above is a good place to start. And for that you can generally expect something, if you go much lower than that you don't get anything with that much asge or scale. You'll expect something that's making at least \$500 a month. Age-wise it can be all over the place. I bought sites that was 12 years old for \$7,000, and I've bought a site for \$12,000 that was 6 years old.

There's a real range at that level of what you can expect to pick up. Again, it really depends what you want to do. If you're just trying to learn the technicalities of that business, maybe you should start from scratch and just learn how the systems and processes work. If you're looking for a return on your investment you're better off putting \$50,000 into one site rather than \$25,000 into 25 different ones.

Jaime: Even just with a focus. I remember when my blog was three months old someone offered to buy it and I was like, "No way!". It was for \$10,000 or something, but they also wanted my story. I was wondering, they want my story what the heck are they going to do with that and how will they be making money with it.

One of the sites that you paid \$7k or \$10k or \$20k dollars, what did you do from that? Can you give me an example of, "I bought this site and then I did this, this and this and I made this much money"?

Thomas: So awhile ago - this is probably 2 years or so now - we bought a website about cats, not a niche necessarily that people talk about, but it was an old site that had been around for years. It was a hobby site for cats with lots of pictures and crazy cat ladies in a forum. There

wasn't really a focus on making money out of it. So with that particular site we bought it and it was on a really old version of Wordpress, I think. So the first thing we did was put a new Wordpress theme in it - you could buy themes for \$100 - so for \$100 and a couple of days of work by my technical guys. We had AdSense on there and we just played around testing different ad placement, and pretty much overnight we tripled revenue just by ad placement.

I think a lot of people want a magic bullet when it comes to making money, but sometimes it's literally a case of tweaking one thing. If there's literally one variable in there that actually makes a difference to the value that's really the increase in revenue. And that was literally just moving the ads around. And making sure you track so you know the correlation of one things that's made a certain benefit.

Jaime: How much traffic were they getting? Because that's the thing, I'm wondering if you create this model within it, or are you just tweaking the business model that they already have? Especially if it's a site with a lot of traffic, are you like. "Oh, what else can we sell, can we get affiliates?"

Thomas: A lot of the audience was literally people coming to look at cat pictures. So a lot of people probably think with 5k a day, you're probably making \$10k/month, why don't we set up an e-store and sell them cat pictures or whatever other things you can sell to that crowd. We tried setting up a store but it literally didn't work, no one bought anything. So the easy thing is to just improve what's already there in the existing model. I tend not to change the business model unless it's a much longer time plan, I always found that was quite risky.

If I was buying for a company portfolio now, I wouldn't mind changing the business model because its financial return isn't that important. If you're just trying to make money, I think just improve on what's already there, I tend to keep it simple.

Jaime: That's crazy. How long do you buy and then sell? So a site that's been around for a while or hasn't been around for a while, how long do you go, "Ok, we're going to improve it this long?" Like the cat site, you tripled revenue, I don't know what revenue was but do you just hold it for a really long time and make your money back or how does that work?

Thomas: Yeah ,it depends. When I was starting out I was trying to get rid of sites within a month. When you have literally no cash that you're playing with, I had \$100 at a time, when you get rid of it you move on to the next one. These days I tend to advise at least 6 months holding on to it, because if you do increase revenue or maybe reduce expenses and increase the value, it does take some time for that to affect valuation.

So it's not like you can turn a site from making \$1,000/month to \$4,000, and then suddenly it's worth 4 times as much. It's got to be sustainable at that \$4,000. So yeah, 6 or 7 months is my usual turnaround time. But again it really depends if I'm desperate for cash - which I'm not really in that position anymore - then maybe I'll try and get rid of it in 3 months. But if it's a longer time project then I might not sell it, I might keep it.

Jaime: Is it easy to find buyers for a site? Not that I'm going to put my site up, but say I put my site up, how would I go about trying to find a buyer for it?

Thomas: So in terms of as a company the kind of demand we have on the buyer side always outstrips the number of sellers we have. In the last year we did about 70 sales, but we have thousands of buyers that were actively looking. So there are lots of buyers out there.

Through a broker like us, we get over 100 qualified inquiries per deal of people who would be specifically looking for a site like yours. There's literally thousands of people who are casually browsing, and then those that are actively interested. So there's a ratio of 100 buyers to 1 good business, then you can see the potential demand there is out there for businesses.

Jaime: Awesome. Tell me this though, for my site specifically it's very personality brand. I can definitely make it not a personality brand by taking me off, because Eventual Millionaire is a name that can be sort of anything. My mentor has even told me to do that, they're like, "Don't be the person interviewing, have other people on the site, that way you can sell it." If somebody has a personality brand, is it sellable or do they have to stay on? How does that work?

Thomas: Yeah, that's a common question that comes up. I think it's unavoidable to have some face on the business, especially if you've got a service business relying on people or a business with a person at the front of it. If you have a personal blog, generally speaking, they're very difficult to sell because your name is all over it.

We have sold sites in the past with blogs. We sold a travel blog a couple of years ago, it was a company that ran it but the domain wasn't their name. In that particular deal we just agreed that the buyer could take over and have a license to use their name going forward and the content they had already created would stay, and then they also created an agreement that they would create content for the next 3 months. But it kind of depends on the niche. In their case it was a travel blog that had a lot of affiliate income. Let's say you've got a product - let's say I set up ThomasSmale.com - and I did a course on buying websites, then it would be quite conceivable that if I went, then it would be less valuable.

If you've got a travel website and people are going through your affiliate link to buy suitcases, it doesn't really matter if the owner leaves, people are still going to buy that suitcase. So it really does depend on the particular business, but generally speaking, personal sites - especially the more your name is on it - the harder it's going to be to sell. There will always be buyers out there, but the kind of deal you're going to get is nowhere near as attractive as if you were entirely behind the scenes and your name is not anywhere on it.

Jaime: Let's say somebody doesn't have a personality brand, they have a business or a website that they want to sell, but they're doing all the work. They want to sell it, but if they're not there the whole business will tank. What do you suggest to somebody to start getting systems and

everything up in place? What should people figure out when they're exit planning or what systems and stuff like that should they put in place?

Thomas: That's a really good question. I spend a lot of time with people dealing with those issues and what things they should look at. So generally speaking - especially with small businesses - it's really not that uncommon for the owner to be the only person doing all the work, even if their name's not on the business. Businesses don't run themselves, so there's always someone there.

Generally speaking it really depends on your timeline behind the sale. So if you wanted to sell within a month, my advice might be different than if you want to sell in 12 months. So let's say you've got 6 months, the first thing I would do if you're looking to sell is try to find ways to cut down your time commitment on the business. A lot of people fall into bad habits where you do things a certain way which might work for you but to someone you might sell to, it might not make any sense.

For example, if you buy a weekly blog post that you like to write - and it might not even have your name - it might take you 8 hours once a week, but you could outsource that same post for \$100. So from a buyer's side, that's an extra \$400/month in costs paying for blog posts than they would be spending that extra 8 hours/week writing it. So any non-core jobs you can outsource, or improve or even remove. That's another thing, if you're going to sell you want to be very strict about what is really that important and what adds value, because what you might think is useful isn't necessary to the business at all.

So cut out any tasks you don't necessarily need to do, outsource anything you don't necessarily need to be doing skill-wise but still needs to be done and then try to systemize your time as much as possible. Because when a buyer wants to come in to take over what you're doing they need to understand how you do things, and the more you're going to get for it and the less you'll have to support them after the sale.

Jaime: I love that. And a lot of people don't look at it that way until they're starting to think about exit planning. They keep chugging along doing what they do and then realize they could have been outsourcing this whole time and had 8 extra hours every single week, which is kind of crazy.

Why did you go from buying and selling websites to brokerage? Do you make more money brokering than buying and selling, or was it the risk thing? Tell me why you guys ended up switching.

Thomas: It was a combination of things. At the time - having no funding - it made it quite difficult to scale up from \$100 to doing tens of thousands of dollars. If you haven't got cash in the bank, let's say you've got a website that's worth \$50,000 that might make \$2,000 a month, that's not really enough to run a company unless you're selling that every, single month. Whereas from a brokerage perspective at the time, people saw what we were doing and they came to us and

said, "Hey look, I've got a website making \$300k." For a couple of weeks of work I can make \$30k in fees whereas that might take me months or even a year with buying and selling small sites. At the time it was very much a case of opportunity came along, it wasn't what we set out to do, but realized we had a particular skill that people wanted to pay for, which is also quite important. And cash flow-wise, nowadays we sell 5-10 businesses a month, so it looks a lot better - especially when you've got staff to pay - versus having 1 or 2 sites. You might make the same revenue each year, but you're constantly running your funds down in the bank. So yeah, it was really a combination of cash flow and opportunity.

Jaime: That makes a lot of sense. And it's funny how opportunity always arises when you're already in another business. That's awesome. Tell me one more thing. I want to know what was your worst investments as far as buying a website or your best. Or maybe even one of your clients - I don't know if you can talk about them or not - but maybe how great can it be and how bad can it be.

Thomas: Thankfully in more recent years I haven't had too many failures. I bought sites in the past - for example, the cat site - we made 4 times and then someone paid \$7k-\$8k, and we were in it for \$30k, the return there is a lot better. On the higher end, it does get a little more difficult to quadruple your income if you don't have the infrastructure in place.

Generally speaking, someone running a business making 6 figures a year probably has thought about making money, whereas the person writing a blog making a couple hundred dollars a month, the difference between making \$200/month and \$400/month for them is not really material. But in terms of improving your business to sell it, it does make a difference.

So I generally wouldn't touch a site unless I can at least double my money. In terms of losing money, I don't remember losing a substantial amount of money before. I mean. I'm sure back in the day I would have bought a site for \$500 and it never really went anywhere or made any money.

But generally speaking a worst case scenario for me would be selling for what we paid for or around that. If you buy a site for \$6k and you spend 6 months with it and then sell it for \$10k, technically it's not a loss, but you still wasted a lot of time in the process. So that's something you need to bear in mind with the percentage of the return you make, you've got to think about the time and opportunity.

Jaime: That's exactly what I was thinking. So even if you sell a business for an extra \$30k, how much time did your team take and how much did you spend in expenses and how much did you take for time and all that fun stuff, too, which factors in. So you ever figure out those numbers, like how much time you actually put into it, how much did you expense and what did that actually look like?

Thomas: Yeah, especially when we've done bigger purchases more recently. It's almost impossible for us to buy something at \$5k because even if we turn it into \$20k, by the time

you've paid staff, tax and all those things, it's really not that viable. Yeah, making \$15k was great, but now that didn't even pay half our salary for the month. So you really got to think about your current situation and what it will cost you. But we're always thinking of that and that's why these days we tend to go for the more long term projects rather than the short term. Making \$10k-\$15k is great when you're trying to build a bankroll and build some experience, but it's not if your business has consistent overhead, it's just disruptive constantly giving people new projects to do.

Jaime: That's really interesting, too. So it seems that it's a great experience for people that are newer to the business, too, so if they get going and seeing what does and doesn't work they can keep going that way. Instead of just, I know a lot of people will get just one site and they'll start growing it and they're like, "I think this is good", and they just work on that one site over and over and over again. But you've probably had such a plethora of experience with different sites and what works and what doesn't work. You probably grew a lot faster than somebody with just one site who was trying to figure it out.

Thomas: Yeah, and I think that's where the skill comes in with brokerage, you're learning how to buy and negotiate, you're learning how to sell and negotiate and how to spot opportunities. These days even if I'm not buying a site myself, if we can spot 5 ways we can double a particular business, we can tell buyers about that and they're far more likely to buy than if you have no clue and you've got no experience. So that's where the skill is quite transferable and that adds value versus if you try and offer it having never done it yourself.

Jaime: Do most people that you work with on the brokerage just buy a business and sell it within 1, 2 or 3 years, or are they like, "Ok, we're going to make this into a huge company"?

Thomas: Most of our buyers these days buy to hold. They might improve the business but they don't necessarily go in thinking they're going to sell it off in 12 months. I mean this happens sometimes, I'm selling for a guy that bought 3 years ago and it's just coming back now to sell. But the vast majority will go in - especially the kind of buyers we deal with - they're looking for an investment. They might buy a site for \$100k and it makes \$3k/month, they just want the income, it's just an investment for them. I have a fulltime job, for them it's not necessarily a job, it's just about getting an income stream.

And then you get some people - the professional buyers - who might buy a site and they want to grow out that \$3k into \$30k, and then they might think about selling or they might go off and do something else like they might raise capital or bring in partners or start buying other similar businesses.

So it really depends, but the vast majority of the people we deal with buy as an investment and they look for something quite sustainable in the long term like turning a \$5k project into a \$20k project. We don't really deal with opportunists, they're more like long term investors.

Jaime: That's nice. And that's probably great for you, too, because the numbers are bigger which means your cut is also bigger, so that's always helpful. I know we have to start wrapping up so I'm going to ask the same last question that I always ask; what's one action listeners can take this week to help move them forward towards their goal of a million?

Thomas: I'd say the one thing is really focus on that one thing you are really good at. Focus on just that one thing instead of trying to focus on 5 projects at once. I started really making money on a consistent basis when I found what I was good at and what people are willing to pay for and just stuck with it. If you mess around with other things and you don't focus, it's really hard to start growing consistent revenue. If you want to get to 6 figures a month you've really got to focus and be very good at it.

Jaime: That's awesome. And I love how you keep saying, "the one thing", I had coffee with the guy that wrote that yesterday. Actually there's a book called, The One Thing, and it's all about doing one thing, and it's amazing how many entrepreneurs say that is so important. And again as an ADD entrepreneur, sometimes it's the hardest thing you can ever do.

Thomas: 100%. You see my personality, but having employees makes me stick to one particular thing. And the best thing about brokerage is I'm constantly looking at new businesses, so I get that constant excitement and it feels like a new project every time. Whereas the part that we're good at is the process of selling, which is less interesting once you've done it.

Jaime: That is so awesome, that's perfect for your personality then. So where can we find out more about you and FE International and all that fun stuff?

Thomas: Yeah, that's actually FEInternational.com, my direct email is thomas@feinternational.com, you can also find me on Twitter @ThomasSmale. I can send you some links afterwards.

Jaime: Perfect, we'll definitely link it all up so everyone can get in touch, especially if they need to. We've interviewed quite a few - well, not quite a few, there's only a handful of you - for some reason it feels like I know all the brokerages, but all of you know everybody else. But check out your site, your site was super cool, everybody check out FEInternational.com. Thanks so much for coming on the show today, Thomas, I really appreciate it.

Thomas: Yeah, thanks so much, Jaime.