

Reverse Engineering a \$10M Exit:

A Five Year Roadmap for
Maximizing Your Business Value

Brooke Pfautz

Founder & CEO



Jacobie Olin

President



Introduction

Are you ready to transform your vacation rental management company into a multimillion-dollar enterprise?

Lets talk proven strategies for achieving a multimillion-dollar exit within five years.



Jacobie Olin

President



*Experience in facilitating
\$400+ million worth of
vacation rental management
company sales.*



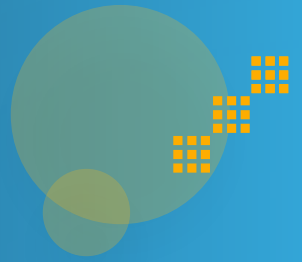
Brooke Pfautz

Founder & CEO



*Authored 3 books on
vacation rental industry and
has helped **800+ companies**
grow their inventory.*

Today's Plan



**Begin With The
End in Mind**



The 5 Step Plan



**Landmines
to Avoid**



Summary



Successful Exits

~\$10M VRM Exits

	Brooke's Lux	30a, Not Destin	Stay Jacobie
Property Count	100	250	500
Revenue	\$6,500,000	\$9,500,000	\$12,000,000
Gross Rents / Property	\$150,000	\$80,000	\$50,000
EBITDA	\$1,750,000	\$2,000,000	\$2,250,000
EBITDA Multiple	5x	5x	6x
Purchase Price	\$8,750,000	\$10,000,000	\$13,500,000



Introduction

Understanding EBITDA

ABC Vacation Rentals P&L - March 2023 - April 2024

	LTM	Margin
Net Revenue:		
Booking Fee	600,000	
Damage Waiver	550,000	
Housekeeping	2,725,000	
Rental Commission	4,125,000	52%
Total Revenue	8,000,000	
Cost of Goods Sold:		
Housekeeping	2,350,000	
Maintenance	400,000	
Processing Fees	450,000	
Total Cost of Goods Sold	3,200,000	
Gross Profit (+/-)	4,800,000	60%
Operating Expenses:		
Other G&A	600,000	
Other Operating	600,000	
Staff	1,600,000	20%
Total Operating Expenses	2,800,000	
Net Income (+/-)	2,000,000	25%

Assumptions			
Property Count	300	Commissions	25%
Gross Rents per Property	55,000	Total Revenue	8,000,000
GBV per Property	66,667	Total Gross Rents	16,500,000
Take Rate	40%	Total GBV	20,000,100
Profit Margin	25%	Profit	2,000,000



Introduction

Understanding EBITDA

ABC Vacation Rentals

	2021	2022	2023	LTM
Net Income (+/-)	1,500,000	1,750,000	1,850,000	2,000,000
<i>Add-Backs:</i>				
Travel - Personal		16,368	80,097	73,707
Depreciation	16,000	28,000	55,000	55,000
Legal Fees - One Time			28,000	28,000
Total Add-Backs (+/-)	16,000	44,368	163,097	156,707
<i>Deductions:</i>				
Owner Pay - Market Rate Increase	(100,000)	(125,000)	(150,000)	(150,000)
ERC Tax Credit	(48,500)			
Interest Income			(531)	(7,725)
Total Deductions (+/-)	(148,500)	(125,000)	(150,531)	(157,725)
Adjusted EBITDA (+/-)	1,367,500	1,669,368	1,862,566	1,998,982
% of Net Revenue	29%	27%	26%	25%
EBITDA Weighted 3-Period Average		1,898,574		
Net Revenue	4,715,517	6,182,843	7,163,717	8,000,000
Commissions	2,452,069	3,215,078	3,725,133	4,125,000
Unit Count (Provided)	150	225	260	300

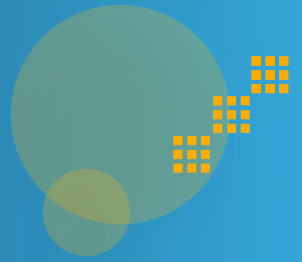




The 5 Step Plan



The FIVE Step Plan



1

**Building a Solid
Foundation**

2

**Brand and
Operations**

3

**New Inventory
Sales &
Marketing**

4

**Preparing
For Sale**

5

**Deal
Structure**



The Plan

1. Building a Foundation

- Financials in Order
- Legal
- Framework
- Goals / Pro Forma
- Dashboards and KPI to Track

Rimmerio

Company Cash Flow Report

Consolidated results for the period December 31, 2032

Cash Flow From Operations	
Net Earnings	
Additions to cash	
Depreciations	20,000,000
Decrease in Accounts Receivable	100,000
Increase in Accounts Payable	150,000
Increase in Taxes Payable	150,000
Subtractions from Cash	
Increase in Inventory	20,000
Net Cash from Operations	(300,000)
Cash Flow from Investing	
Equipment	20,012,000
Cash Flow from Financing	
Notes Payable	(5,000,000)
Cash Flow for Fiscal Year Ended December 31	



Download the SMART Management Agreement template at...
vintory.com/Reverse-Engineer



Tracking

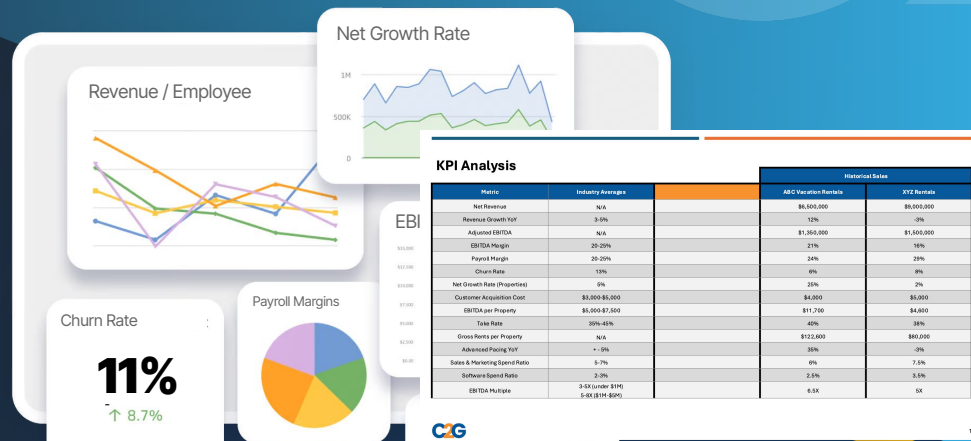
Dashboards & KPI to Track

- **Business Metrics**

- Take Rate
- Churn Rate
- Net Growth Rate
- Advanced Pacing YoY

- **Financial Metrics**

- Profit per Property
- Profit Margin
- Payroll as % of Rev
- Software as % of Rev
- Sales/Marketing as % of Rev



Download KPI Benchmarks Guide at
vintory.com/Reverse-Engineer



Fill the Bus

The Team

- **Measurable Hiring Decisions**
- **Fractional Team Members**
- **In-house vs. Outsource**
- **Psychometric Personality Assessments**



The Plan

3. New Inventory Sales & Marketing

- **Reverse Engineer**
 - Inventory Goals
 - Sales Funnel
- **Create the Marketing Plan**
- **Hiring Full Time BD Representative**
- **Predictable Sales Machine**



Reverse Engineer

Total Number of Properties

	Option A	Option B
Target Exit Price	\$10,000,000	\$10,000,000
Multiple	6x	5x
EBITDA	\$1,666,667	\$2,000,000
Margins	15%	10%
Gross Booking Revenue	\$11,111,111	\$20,000,000
Avg. GBR / Property	\$55,000	\$100,000
# Properties Required	202	200



Download Your Exit Planning Calculator
vintory.com/Reverse-Engineer



Reverse Engineer

New Properties by Year

	Start of Year	New Adds (YR)	Churn (10%)	End of Year
Year 1	0	36	3	33
Year 2	33	48	8	73
Year 3	73	60	13	120
Year 4	120	60	18	162
Year 5	162	60	20	202



Reverse Engineer

New Properties by Month

New Adds (YR) Adds/Month

	New Adds (YR)	Adds/Month
Year 1	36	3
Year 2	48	4
Year 3	60	5
Year 4	60	5
Year 5	60	5

Break it down to the simplest Goal...

"If I add 3 new properties per month, I am on my way to a \$10m Exit!"



Reverse Engineer

By Marketing Source

New Deals by Marketing Source		Year 1	Year 2	Year 3-5
Direct Mail	50%	18	24	30
Email	15%	5	7	9
Realtors	10%	4	5	6
PPC	10%	4	5	6
Referrals	10%	4	5	6
Other	5%	2	2	3
TOTAL	100%	37	48	60

← New Properties by Year



Reverse Engineer

By Marketing Source

Reverse Engineer Goals (Direct Mail)

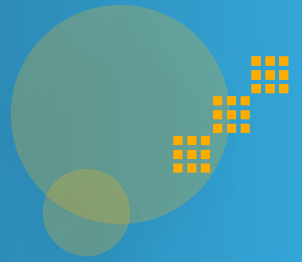
Direct Mail Annual Goal	18
Close Rate	25%
Leads	72
Response Rate	1.0%
Direct Mail Pieces (Annual)	7,200
Direct Mail Pieces (Monthly)	600

Reverse Engineer Goals (Email)

Email Annual Goal	5
Close Rate	25%
Appointments Scheduled	20
Appointment Scheduled Rate	25%
Responses Needed	80
Response Rate	1%
Email Sends (Annually)	8,000
Email Sends (Monthly)	667



The Marketing Plan



Create the Plan



Data



Direct Mail



Email



The Plan

The Marketing Plan

1. **Create the Plan**
2. **Data**
3. **Direct Mail**
4. **Email**



The Marketing Plan

Create the Plan

	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Data & Set Up	Yes											
Postcard 1	Yes		Yes		Yes		Yes		Yes		Yes	
Postcard 2		Yes		Yes		Yes		Yes		Yes		Yes
Email Campaign	Yes			Yes			Yes			Yes		
RE Email Campaign	Yes			Yes			Yes			Yes		
Vintory Check In				Yes				Yes				Yes



Download The Marketing Plan
vintory.com/Reverse-Engineer



The Marketing Plan

Where To Get Your Data



**Public Records/
MLS**



**List
Brokers**



**VR Permit
Data**



**Scraped
Data**



**Data
Compilers**
Specialize in STVR



The Marketing Plan

Best Sources of Data



**Known Short
Term Rentals**



**"Select"
In Same Condo Buildings**



Absentee Owners



The Marketing Plan

Best Sources of Data

1. **Known Short-Term Vacation Rentals**
2. **"Select" - Same building / communities as known STVR**
3. **Absentee Owners**



The Marketing Plan

Direct Mail

The front of the direct mail envelope features the Southern Comfort Cabin Rentals logo and a photograph of a cabin. A callout bubble says "Hey Frank, Maximize Your Rental Income & learn how much you will earn!". Below the photo is the headline "The Most Comprehensive Management Team in Blue Ridge" and several icons representing services like "Maximize Your Rental Income", "Superior Property Care", and "World Class Hospitality". At the bottom, there are logos for various partners and trust icons for Facebook and Google.

1 Good Branding

2 Pro Property Images

3 Clear & Bold Headline

4 USP

5 Trust Icons

The back of the direct mail envelope features a grid of 10 icons representing various benefits and services. A large call to action says "Call Today! 706.514.4918". Below this is the return address: "240 West Main St, Blue Ridge, GA 30013, USA". The envelope also includes a "Postage" stamp area and a "Return Address" label.

6 Standout CTA

7 Risk Reversals

8 Features & Benefits

9 Clear Contact Info


10 Return Address



The Marketing Plan

Email

New message — 🔍 ✕

 To _____

Subject _____





Hi [First Name],

I did some research, and it looks like you own the property at [address].

For the last XX years, we've been helping homeowners like you maximize their rental income.

Would you mind if I worked up a pro forma for your property to estimate what it could earn as a vacation rental in our program?

Thanks!
[Your Name]

Send Save Cancel

upwork
fiverr



Hire BD Rep

What does the best BD Rep look like?



Break-Even Analysis on BD Rep



\$80,000

1st Year
Salary

16 Homes

1st Year
Growth

x \$5k

\$80,000

1st Year
Margins

x \$50k

\$800,000

10 Year / Lifetime
Margins



Predictable Sales Machine



The Plan

4. Preparing For Sale

- **Find your Warts**
- **Limit Key Man Risk**
- **Measure your KPIs YoY, Advanced, and vs Peers**
- **Review timeline and seasonality**
- **Talk with Advisors**



Talk with Advisors

- **CPA:**
 - What is your basis, tax burden depending on structure of deal, and closing/earnouts over multiple years
- **Legal:**
 - Transactional or M&A Attorney
- **Wealth Advisors:**
 - Windfall of cash - how long will that last and how do you generate annual cash flow
- **M&A:**
 - Get a valuation done - find out where you stand



The Plan

5. Deal Structure

- **Timeframe:** 4-6 Months
- **Seller:** Transition 6-18 months. Typically tied to contingency period
- **Brand:** Buyer typically keeps. Depends if Buyer currently has a brand in same market
- **Team:** Buyers typically keep and offer better benefits
- **Homeowners:** Contracts are assigned or converted at closing
- **Valuation Methods and Structure**



Valuation Methods & Structure



Multiple of Adjusted EBITDA

- Timeframe: Last 12 Months (LTM) or Trailing 12 Months (TTM)
- 3x-5x multiple for companies with \$250k-\$1m+ adjusted EBITDA
- 5x+ multiple for companies with \$1m+ adjusted EBITDA

Price Per Unit

- Generally, for businesses under 50 properties and/or unprofitable 1.25x-1.75x of annual commissions.



Valuation Methods & Structure

- **50%-70% Cash at Close**
- **25%-50% Contingency Paid Over 1-3 Years**
- **Contingency**
 - Based on company performance post-close (EBITDA, Units or Revenue)
- **Rollover Opportunities**





Avoid Landmines



How to Avoid Landmines

- **Be Proactive**

- Research valuations and buyers
- Review your financial statements and contracts
 - Buyers will hire QofE firm. Have a handle on your books!
 - 50% of deals are asset deals. Language need to be inline with best-practices
- Priority Hierarchy
 - Cash, Purchase Price, Brand, Staff, Buyer, etc

- **Don't go at it alone**

- Due Diligence is a full-time job
- Get industry specific help

- **Have the hard conversations early**

- Adage: Time is killer of deals - Indirect





Summary



Summary



Begin with End in Mind



Layout The Plan

1. Foundation
2. Brand & Operations
3. Inventory
4. Prepare for Sale
5. Deal Structure



Avoid Landmines



Q&A



Begin with End in Mind



Layout The Plan

1. Foundation
2. Brand & Operations
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5. Deal Structure



Avoid Landmines



Thanks! Lets Chat.

Have any additional questions that we didn't have time to cover?

Get in touch:



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