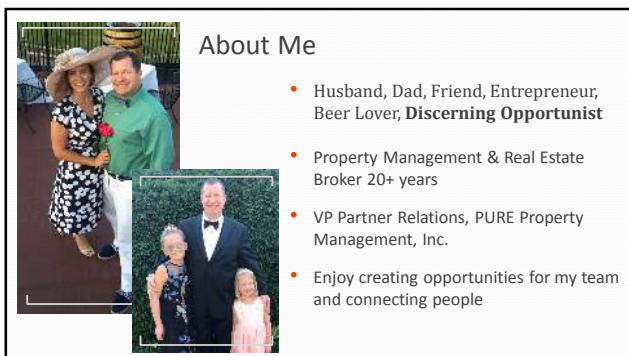


NARPM™
BROKER/OWNER
Conference & Expo

March 28-30
Hyatt Regency
Hill Country
San Antonio, TX

Be Ready to Buy (or Sell)
Preparing Yourself for Opportunity
Presented by: Jock McNeill

1



About Me

- Husband, Dad, Friend, Entrepreneur, Beer Lover, **Discerning Opportunist**
- Property Management & Real Estate Broker 20+ years
- VP Partner Relations, PURE Property Management, Inc.
- Enjoy creating opportunities for my team and connecting people

2



Acquisition Experience

2004 *Since then...*

1st Acquisition	•••	40+ Deals	20+ New Markets
300 Doors		15,000+ Doors	Expanded Reach

3

What has changed?







- Unprofessional → Professional
- Business Development Managers & Marketing
- PropTech: Automation and Workflows
- Massive Capital Influx/Industry Consolidation




4

What has changed?

- Larger companies** in most metro markets
- Institutional Investors** buying single family homes
- Real Estate Brokerages** hybridization/multi-sourced revenue



5




ARR - David

6



7



Why buy Property Management accounts?

ARR A quick way to add units under management	Equity Adds value to your company
Profit Increased revenue & profit/ARR	Opportunity Stay competitive & keep quality employees

Understand your own motivations first

8

How do you know it isn't for you?

• More expensive per unit than organic growth	• Inadequate infrastructure or experience
• No bandwidth	• Job description change

9

Start Building a Dream Team

Start With Expert Advice and Resources

Legal	CPA	Administration
<ul style="list-style-type: none"> Develop & review contracts Advise on managing risk 	<ul style="list-style-type: none"> Structure a deal that meets tax needs of both parties Long range tax planning 	<ul style="list-style-type: none"> Accounting support Processes Stack decisions and data migration HR and Compliance

10

Prospecting

<p>Show Interest Make it known that you are an interested buyer</p>	<p>Reputation Be well known in your industry & local market</p>
<p>Brokers Many do not want anything to do with PM but their agents may have a small portfolio</p>	<p>Relationships Relationships and reputation matter. Don't discount trust.</p>



11

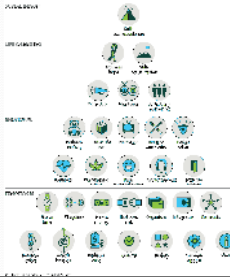
Seller's Motivations

Leaving	Legal	Financial	The Ds	Insight
Retiring or leaving the industry	Legal or licensing issues	Bankruptcy Insolvency Market Timing	Death Divorce Disease Drinking/Drugs Drama	Gain insight into why there are selling to learn what is important during transaction


12

Seller's Motivations

- It's not always about money
- Self-actualization, motivation, affiliation+belonging, care for team
- Fun, provide access, reduce anxiety
- Saves time, simplifies, reduces risk, more upside (i.e. stock/benefits)



13



What Makes an Ideal Acquisition?

- Turn a weakness into an opportunity
- Quick start profitability
- Well maintained properties
- Similar organizational structure
- Sum > Parts



14

What makes an Ideal Acquisition?

- Motivated Seller*
- Off-Market Deals
- Opportunity for Innovation
- Some inefficiencies can be a good thing
- *Ideal Acquisitions* are usually the most value (expensive)





15



Compatibility

When to Walk Away

Personality Buyer & seller are not a good match	Reality Unable to agree on price or terms
Portfolio Properties don't meet your standards	Potential Too much stress & not enough profit

16


Warning Signs

 Condition Is the business in distress?	 Attitude Are the people happy or unhappy?	 Compliance Are there licensing issues?	 Embezzlement Is there money missing?	 Lawsuits Watch your step!
--	---	--	--	---

17

Due Diligence

- Background check on seller & company
- Interview employees if you are keeping them
- Check for lawsuits, licensing issues, etc.
- Read reviews on Yelp, Google, BBB, etc.
- Research market viability; is there room for growth? Pros? Cons?




18



Due Diligence

- Non-disclosure agreement
- Copies of all management agreements
- Financial statements
- Drive by all properties to verify condition
- Create a pro forma to analyze income & expenses

19




The Transaction

Stay Organized!

- Contract Timeline
- Payroll/Employee Relations
If you are keeping employees, you'll have some work to do. Be cautious keeping current employees; interview thoroughly.
- Changing contact info –
More than you think!

20



The Transaction

Stay Organized!

- Client Tracking –
*Keep a conversation & activity log
Track new management agreements received*
- Data Import & Integrity
- Transition Tenant Online Payments
Recommend mid-month transfer

21

Structuring the Deal

Timing



- **Time kills** deals
- **Make time** to do your due diligence thoroughly
- **Pick a slower time** of year, or at least mid-month

22

Structuring the Deal

Seller Involvement



- Is the seller staying on board or moving on?
- Ask seller to be available for **questions following the sale**
- Make sure **records are available**
- Ask for a seller **introduction to the client base**

23

After the Acquisition

- **Avoid churn**
- **Bring value/trust** to the owners fast
- **Be cautious** on raising fees
- **Inspect** all units, terminate those that are not fixable



24

Position Yourself for a Sale

On Your Terms for Top Dollar

- Weaknesses are an opportunity / Strengths = Value
- Solid Infrastructure, Policies & Procedures
- Fees Inline with Marketplace
- Transferable/Assignable Management Agreements
- Execute Non-Compete or Confidentiality Agreements with your team
- Can the business can operate without you?

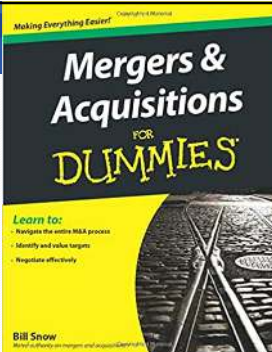


25

Financials & Legal

The best investment you can make

- Get organized (data warehouse). M&A Checklist.
- Get transparent - be honest fully disclose, expect the same from the other party.
- Find the hidden margins.
- Invest in a professionals to make it happen and do it right. (Get a 10x return on spend.)



26



Valuation

- Multiples of Gross Revenue
Common for smaller portfolios
- EBTDA
Earnings Before Taxes,
Depreciation, & Amortization
- Discounts
- Premiums




27

Maximize Value – What can you do now?

 Increase Revenue	 Value Add	 Maintenance
Increase ARR Management Fees STR / MTR / HOA+CA	Diversify Services & Other Reoccurring Ancillary Revenue	In-House Maintenance

28

Maximize Value – What can you do now?

	Sales	Technology
	Sales Brokerage	Well-curated technology stack
	Image	Tenant
	A well-staged home	ARR+ORR

29



Jock McNeill, MPM, RMP
Jock@PUREPM.co

30



The Purchase Agreement
Attorney

*Have an Attorney Create the Contract.
It should include the following:*

- Indemnity Agreement & Cross Insurance
- Clawback Clause with Assigned Account Values
- Non-Compete & Confidentiality
- Seller Availability
- Record Retention
- Brand & Website Acquisition
- Responsibility for Professional Fees (Attorney, CPA, administrative)
- Dispute Resolution
