

BROKER/OWNER
Conference & Expo

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Hyatt Regency
Hill Country
San Antonio, TX

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

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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

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Acquisition Experience

2004 *Since then...*

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

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What has changed?







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




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What has changed?

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



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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

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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

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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

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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>



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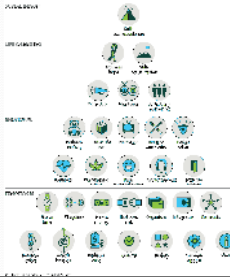
Seller's Motivations

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


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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)



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What Makes an Ideal Acquisition?

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



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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)





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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

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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!
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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?




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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

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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!

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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

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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

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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**

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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



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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?

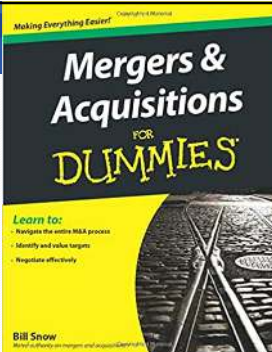


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Financials & Legal

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.)



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Valuation

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




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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

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Maximize Value – What can you do now?

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

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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
