HOLIDAY & SECOND HOMES PROPERTY MANAGEMENT BUSINESS - CORNWALL

(Business Reference No. O/12610)

* DEVELOPED BY ITS ESTABLISHED PARENT COMPANY SINCE 2005 *
* PROVIDING PROPERTY MANAGEMENT SERVICES INCLUDING KEYHOLDING, HOLIDAY CHANGEOVERS, CLEANING & PROPERTY MAINTENANCE *
* CURRENTLY 70 PROPERTIES UNDER CONTRACT IN PORTFOLIO *
* COUNTY-WIDE SERVICE WITH SIGNIFICANT FURTHER DEVELOPMENT SCOPE *
* VERY WELL SET UP (ROBUST SYSTEMS, PROCESSES, STANDARDS, QUALITY CONTROL, CONTRACTS ETC. INCLUDING EXTREMELY GOOD TRAINING PROGRAMME FOR ‘SELF-EMPLOYED PROPERTY MANAGERS’) *
* CURRENTLY RUN UNDER MANAGEMENT (IDEAL FOR INVESTOR WHO WOULD WANT BUSINESS TO CONTINUE TO BE OPERATED THIS WAY) *
* VERY PROFITABLE FOR OWNER OPERATOR (EVEN MORE SO IF OPERATED FROM HOME RATHER THAN FROM RENTED BUSINESS PREMISES AS AT PRESENT) *
* ALMOST ENTIRELY SEASONALLY ONLY OPERATION (EASTER TO END OF OCTOBER) *
  * TURNOVER £240,000 AND SET TO RISE *
  * NET PROFIT £35,375 IF NEW OWNER CONTINUED TO OPERATE FROM EXISTING BUSINESS PREMISES *
* VERY ATTRACTIVELY PRICED TO ENCOURAGE QUICK SALE *

THE BUSINESS BACKGROUND: Developed by its parent company (which was established in Torbay in 2000) the business in Cornwall came into existence following the appointment of a general manager (in 2005) who is now the managing director of and shareholder in the parent company (the other shareholders have no day to day involvement in the running of the company’s business). When this person joined the company it was managing just 80 properties all in the Torbay/south Devon area but by 2011 it had grown its contracts base to 270 which included 90 in its Cornwall division. By this time it had also built up a portfolio of 55 properties under contract in north Devon and a further 10 in Dorset.

The original business model for the company was based on growing rapidly from a relatively low base and ensuring that there were sufficient management resources and procedures in place to provide a secure platform for expansion. This entailed taking on a considerable amount of general overheads, both in terms of managerial and sales staff, but also in fixed premises costs. By 2009 there were two general managers (each with salaries of £40,000 p.a.), 2 sales managers (each on salaries of £25,000 p.a.) and a training manager (on £25,000 p.a.) in addition to operational managers (each on salaries of £25,000 p.a.) for each division of the company’s business – Torbay/south Devon, north Devon and Cornwall divisions. The Cornwall business was operated from two separate offices within the county. The emphasis, of course, was on achieving rapid growth through extensive and very expensive marketing rather than relying on gradual growth through word of mouth, etc. The reader will appreciate that, despite the company’s best intentions, the cart was being put very much in front of the horse! Consequently, although considerable growth was achieved in a relatively short space of time, it was soon recognised that the company was very over-resourced, especially in terms of management, and significant slimming down of the operation proved to be essential. Whilst this has had a marginal negative impact on sales and gross profit it has certainly achieved the desired effect as far as overall profitability is concerned.
This ‘slimming down’ of the company included the exit of the two general managers thus leaving the managing director in overall charge of the entire operation. However, he has found that trying to manage the company and being responsible for overseeing operations in south and north Devon as well as in Cornwall and Dorset to be rather more than he wants, especially with the amount of travelling involved. Consequently, he has decided to hive off the Cornwall division which we are now instructed to sell.

THE BUSINESS FOR SALE : The business offers property management services to owners of holiday letting properties and second homes in Cornwall. These services include keyholding, holiday changeovers, cleaning and general/other maintenance. At the time of writing (July 2012) there are 70 contracts in existence (currently three clients have 3 properties catered for by the subject business, another client has 2 properties – all the others are single unit owners). These are rolling contracts based on one-month’s notice on either side (N.B. Originally the business issued one year contracts with monthly terms after the first 12 months but over time it was recognised that this was proving to be a significant barrier to entry for a lot of property owners and a move to monthly only liability has enabled prospective new clients to make quicker/easier decisions. In turn this low level commitment on the part of new clients has enabled them to experience the service provided without long term “lock-in” and this has led to confidence building and resulting long term business relationships. In fact, the average contract length is between 2 and 3 years (a few have endured for 4 to 5 years).

Contract charges include a £99 registration fee (including V.A.T.) for one-off properties (registration fees for multi property owners are negotiated) plus £9 per month (including V.A.T. and paid via direct debit) for access to services and including keyholding. (Registration fees and monthly service charges account for about 3% of total business income). All other services are optionally available from the following menu :-

- **Cleaning/Changeovers** – a fixed product agreed on a bespoke basis, depending on client requirements, at the outset (to include labour and linen pack etc. and to incorporate a profit for the subject business and V.A.T.). These services account for approximately 74% of total business income.

- **Property Maintenance** – all work is sub-contracted and charges are based on ‘handy-man’ type work rates of pay or on specific quotations in relation to specialised sub-contract work (again with a profit for the subject business and V.A.T. built in to the charges). This work accounts for about 18.5% of total business income.

- **Amenity Packs** – non-perishable goods as required, including such as soaps, toilet rolls, bin liners, sachets of tea and coffee, etc. This accounts for approximately 4% of total income.

- **Cleaning only** – a service for people who do not let their properties but personally use them occasionally (e.g. second homes) and require a minimum amount of cleaning only. Revenue from this service presently accounts for just 0.5% of total business income.

Although there are a few contracts requiring all year round services (which mainly focuses on property maintenance work), the vast majority of the services are provided more or less on a seasonal basis, i.e. from around Easter to the end of October.

The business is managed locally by a Regional Manager (salary £30,000 p.a.), who replaced the previous Operations & Service Manager in May 2012. He is supported by a part-time Administrator who works on average around 20 hours per week (£7,500 p.a.). These are the only 2 people on the company’s payroll operating in Cornwall. They rely on between 15 to 20 self-employed workers who are known as “property managers” – each of whom hold the keys for one or more properties for which they are personally responsible and who carry out all of the subject business’s services. The “contractual arrangement” for each of these workers stipulates the services to be conducted, the standards required, etc. and incorporates the amount and method of payment and various clauses such as non-solicitation of clients, etc. The payments to these workers are based on an agreed hourly rate but are allied to a fixed price per property to reflect the requirements of individual property owning clients. The actual payments therefore can and do vary significantly per property across the entire portfolio. In practice this “fixed price” (for an efficient/effective experienced operation) equates to around £9 per hour. In addition to the contracted services there are occasional call-outs (e.g. if a guest at a property requires something over and above the standard agreed provision). This leads to ad-hoc payments to the subject business and for the self-employed property managers (who provide this additional/back-up service whenever required). N.B. The property managers personally arrange their own cover for such as holidays and sickness.

The business is able to rely heavily on repeat and recommended custom including referrals from its relationships with about 20 letting agents. This means that it no longer needs to spend money on advertising or other marketing activities.
In many respects the business is ideal for transfer into new ownership and may suit either an investor (who will be happy for the existing local management to continue to operate the business for him/her) or someone who wants to personally manage his/her own business. The writer says ‘ideal’ for the following reasons:

- this is a well established business with a good name and reputation.
- it offers a service throughout Cornwall (it is understood that there is no other county-wide competitor).
- it provides a significant portfolio of client properties.
- there are robust quality control processes in place. (A guest welcome letter tells people what they can expect, who to contact, etc. Guests receive a ‘welcome’ text at 6.00 p.m. on the day of arrival – a follow up to reinforce the information provided in the welcome letter. A guest departure survey is electronically captured and forms part of the reporting/review system. Standardised property inspection reports have been introduced and are capable of being completed by an independent, sub-contracted auditor – reports are produced on iPad format and fed back to the regional manager (and at least one of these reports is given to the property owning client at the end of each season). Additional inspections are also carried out on an ad-hoc basis. N.B. the operational processes have been refined and improved over the last 5 years and these together with strong client and property manager contracts, improved through experience over time, give the business a very strong framework on which to rely).
- it has a well designed induction training programme for property managers and it benefits from having a good, reliable and well trained self-employed workforce.
- it is now operating on a very profitable basis.
- there is a clear opportunity and significant scope for the further development of the business under new ownership.

**TRADE** : Accounts for the Cornwall division (only) business show the following figures:

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<th>y/e 31st December</th>
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<tr>
<td></td>
<td>2011</td>
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<tr>
<td><strong>Sales</strong></td>
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<td>306,221</td>
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<td><strong>Gross Profit</strong></td>
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<td>97,162</td>
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<td><strong>Administration Expenses</strong></td>
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<td>(98,057)</td>
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<tr>
<td><strong>Operating Profit</strong></td>
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Less

- Additional local staff cost if company Head Office support services no longer required. 
  - —— (5,000) (5,000)

- Amended Operating Profit for a fully managed business (divorced from Company Head Office support services). 
  - (895) 5,375 13,545

- Potential saving if new owner were to personally manage the business instead of relying on the existing regional manager. 
  - 30,000 30,000 30,000

**OPERATING PROFIT FOR AN OWNER OPERATOR**

- 29,105 35,375 43,545

* As per abridged accounts (produced by external accountants) and quoted prior to Company Head Office apportioned overheads, finance costs and depreciation.

N.B. Further reductions in overheads could readily be achieved if, for example, a new owner were to operate the business from his/her home. A husband and wife partnership could also save considerably on existing office staff costs.
**BUSINESS PREMISES** : The business is operated/managed from premises (office & storage facilities – approximately 45m²) situated on an industrial estate in mid Cornwall. The business was relocated here in June 2012 (from larger/more expensive premises elsewhere). Current rent £450 p.c.m. (previously £1,125 p.c.m.). An annually renewable lease is in place w.e.f. 1st June 2012.

**FIXED ASSETS** : Office furniture (including 2 desks) and equipment (including 2 computers) together with some racking and shelving etc. in the storage area.

**VEHICLE** : A Citroen Berlingo 1.6L van (new May 2012) – used by the regional manager.

**STOCK** : Minimal (supplies of toiletries, tea, coffee, etc.). N.B. The linen stock is not owned by the subject business – a lease/wash arrangement exists with two suppliers (Cornish Linen and Tamar Linen).

**GENERAL REMARKS**

This is a business which will appeal to people who do not want to work on a full-time basis all year round. (It is an extremely seasonally biased business at present). It is well positioned, operating as it does on a county-wide basis, for considerable further expansion. A new owner may wish to benefit from the excellent platform, which the current owners have created over the last five years or so, to take full advantage of this real development potential. Conversely, it will certainly provide an attractive return on investment for anyone not looking for personal involvement in the running of a business as they could continue to have it operated for them by the existing local management.

Our vendor client wishes to achieve a sale as soon as possible to enable him to concentrate his time and energy elsewhere. Consequently, the business is priced very attractively to encourage a quick disposal.

**PRICE** : OFFERS AROUND £50,000 for the business goodwill, lease and assets subject to inventory.

N.B. Our vendor client’s business in north Devon is also being offered for sale. If this could be of interest to you please ask us for full details.

**FURTHER INFORMATION**

Comprehensive information about this business is provided to enable you to decide whether you wish to pursue the matter further. You will appreciate that additional information is likely to be confidential, either financial or commercially sensitive, or very detailed such as day to day operational matters. These, and of course, personal information concerning staff, etc. can only be disclosed at a meeting with the vendor. Your next step is therefore to make an arrangement, through ourselves, to meet the owner of this business.

**VIEWING ARRANGEMENTS**

**BY APPOINTMENT ONLY THROUGH BEARDSLEY THEOBALDS**

**BUSINESS FINANCE** : The funding of the purchase of a business is always important and often critical. The market place is large, varied and constantly changing. In order to obtain the most suitable type of finance and the best terms it is necessary to talk to professionals who are in daily contact with a wide range of different types of lending institution and who are not committed to any one of them.

We are able to recommend one such independent specialist who is prepared to give both general advice and specific assistance on individual propositions – Graham Jones at Business Mortgage Solutions (01761) 241144. We would suggest that, regardless of who else you may decide to contact for advice, you also speak to Graham to ensure that you are receiving appropriate advice and the best deal.

MISREPRESENTATION ACT 1967 These particulars are prepared with all due care for the convenience of intending purchasers but their accuracy is not guaranteed and they do not form part of any contract.

PROPERTY MISDESCRIPTIONS ACT 1991. The information contained herein relating to property matters was accurate at the time these particulars were produced. The vendor has approved them and has undertaken to advise us of any material changes which may occur. Such amendments have been incorporated where appropriate. However, since it is possible that further changes have occurred since the particulars were printed, we would recommend that prospective purchasers take appropriate precautions to check anything which is critical to their interest in the property.

In respect of the information provided which does not relate to land or buildings (and therefore is not covered by the Property Misdescriptions Act 1991), this is based on data which has been provided by the vendor(s) who has approved the information shown. However, as all businesses are constantly changing, the information contained in sales particulars may not be as up to date as one may wish. Prospective purchasers are therefore advised to check the current trading situation at the time of inspection or, if necessary, arrangements can be made for a telephone conversation with the vendor(s) prior to a commitment to make an inspection visit.

As mentioned above, the information contained in these sales particulars is based on information supplied by the vendor. The accuracy of the particulars is not guaranteed. They do not constitute any part of an offer or contract. Intending purchasers must satisfy themselves by inspection or otherwise as to the correctness of any statements contained in these particulars.

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