



Notes:

Competing Against National Players

Empowering Independence

BAREFOOT
TECHNOLOGIES CORPORATION

Points of Discussion

How Are National VRMs Funded

What is the Market/ Competition

National VRM Strengths

National VRM Weaknesses

How to Compete Against the National VRM

Selling to National VRM

Please note that this a collective document based on our best understanding and in no way covers everything about National VRM good or bad. Barefoot is not responsible for the opinions expressed or presented in this document.

Welcome.

This document is a tool to assist Barefoot clients in their approach to dealing with national vacation rental companies. It is a compilation of information from clients, partners, and the media. It will continue as a living document.

For context, think about how vacation rental companies have long worked with and against platforms in the industry-- VRBO, Airbnb, Expedia, Booking.com and others. At times, we have seen them as champions for this industry, as they have the most impact in expanding our industry. At other times, we see them as villains whose goal often is to try and move clients away from our ranks and towards a direct connection with their platform. We continually evolve to find tools and strategies to balance the good and bad of these platforms.

Recently, we have seen another trend that is both good and bad in our industry with the introduction of national players as vacation rental companies. They typically are a mix of vacation rental company and a platform. They get venture capital money and purchase our competition or offer our owners what they consider as a stronger ROI. They are looking to take advantage of economies of scale. This includes companies like Vacasa, V-Trips, I-trips, Evolve, and Natural Retreats. This playbook is focused on them and our collective strategies in competing against them.

As you read this consider a few things:

- is this information correct? We have created a compilation from many sources.
- do you have any inside information that you can share. Vacasa as a public company is easier to research, but what about the others?
- what do they do well, and how can we replicate those items?
- where do they fail at and how can we take advantage of their failures?
- how are they like a platform and what do we use to compete against a platform?
- how are they different and how would a platform compete against their model?
- unlike platforms many national players are looking to expand by purchase of great companies, what is your exit strategy and is one of these national players an opportunity? What do you need to do to set yourself up to take advantage of that opportunity?

We ask you to consider this a document that we can add to as the market continues to evolve. As always, we value your experience and expertise and our continued partnership.

Thanks,

Ed

A Barefoot client observes that
National Player entering the
market

“they are making all of us grow
up in terms of technology and
sophistication.”

Notes:

National VRM Goes Public

National VRM was taken public by another company — an investment vehicle that can go by many names: a special purpose acquisition company (SPAC).

In a SPAC deal, investors buy shares in a shell company that goes public and then look for a private business to merge with and take public too. National VRM, the private company, became public by combining with TPG Pace Solutions, which was essentially a shell with a pot of cash.

SPAC deals exploded in popularity in late 2020 and early 2021, promising a quicker, less burdensome route to capital than a traditional IPO, or initial public offering. But some research suggests SPAC investors pay a price in the process.

Notes:

National VRM Received a Lot Less Money Than It Hoped For

When National VRM announced this summer that it was going public, the company said it would get up to \$485 million in cash proceeds to grow the business. That didn't happen. Instead, National VRM got \$340 million. That's \$40 million more than the minimum required to close the deal.

Here's how the other \$145 million evaporated: When investors buy shares in a blank-check company they don't know which private company it will ultimately target. So, they have an eleventh-hour chance to back out and redeem their shares, plus interest. Paying out those shares drains cash from the merger pot — and reduces how much companies such as National VRM get paid.

Some companies going public through SPAC deals recently have suffered high investor withdrawals, including the media company BuzzFeed. Shareholder defections drained about \$270 million in cash from that deal.

As a private company, National VRM had already raised hundreds of millions of dollars in prior funding rounds.

How It Is Spending the \$\$\$

Investing in technology and adding new properties to its portfolio.

“If you look just at the United States, there’s more than five million vacation homes,” Cohen said. “National VRM has about 35,000 on our platform today. So, we’re less than 1% penetrated.”

National VRM adds properties in two ways — either by wooing clients individually or by scooping up the portfolios of smaller property management companies. Cohen said National VRM has bought more than 200 such property managers. National VRM bought the operations of Austin-based TurnKey Vacation rentals for **\$619 million** — mostly in stock, according to recent regulatory filings.

Critics accuse National VRM of being too aggressive in its pursuit of properties.

Earlier this year, Bend-based Meredith Lodging sued National VRM, alleging the larger company conducted a smear campaign to damage its reputation and lure away clients. A federal judge dismissed the suit in November.

Notes:

National VRM Expects to Break Even in 2023

That's "adjusted EBITDA break even" for the finance works. Cohen said she expects the basic operations of the business to break even next year.

Most profitable companies run an EBITDA of 10% or higher.

The emergence of the omicron variant of COVID-19 doesn't seem to rattle National VRM. Cohen said at least one-fifth of people staying in vacation rentals did so for the first time during the pandemic. And then, there's the rise in remote work.

After property manager National VRM's bumpy first nine months trading on Nasdaq, CEO Matt Roberts will leave the company, and former Egencia President Rob Greyber will take over.

National VRM announced the CEO change Wednesday, saying a succession planning process got under way earlier in the year, and that Greyber, who will also take over Roberts' slot on the board of directors, will assume his new CEO duties September 6.

Roberts said he's leaving National VRM to spend more time with his family, and that he's "going back to being retired," referring to his status prior to becoming National VRM's interim CEO in February 2020, and CEO shortly thereafter.

Notes:



Steve Milo • 1stCEO and Founder VTrips - We are Hiring!1w • 1 week ago

Despite making recent headlines for poor business strategies, tanking stocks, and even the company CEO [Matt Roberts](#) stepping down (which is never a good sign), [National VRM](#) claims they are going to continue to grow through their Sales and Marketing group.

However, without the big mergers and acquisitions of years past, [#National VRM](#) is pressuring its [#sales](#) team to boost productivity or pack their bags.

It's projecting a 30% growth in homes, which would take it to 48,100 vacation rentals in over 400 destinations, and stated that the "individual approach" – or sales efforts – was responsible for the majority of signups.

It's been surprising to see National VRM continue down the same path of make-believe stories given so many issues with their current business model. At a glance, a company's health can largely be analyzed through its balance sheets.

Since 2021, National VRM has had a negative swing of almost \$200 million in current liabilities versus current assets. One of the most concerning issues is that during National VRM's proclaimed "second-best" quarter, cash actually dropped by \$35 million and left them down to \$319 million in unrestricted cash.

The bottom line? National VRM purchased companies with \$80 million in the past two quarters with a 20% burn and churn rate of unit loss. This means that the business has to expand to 20% new units just to break even.

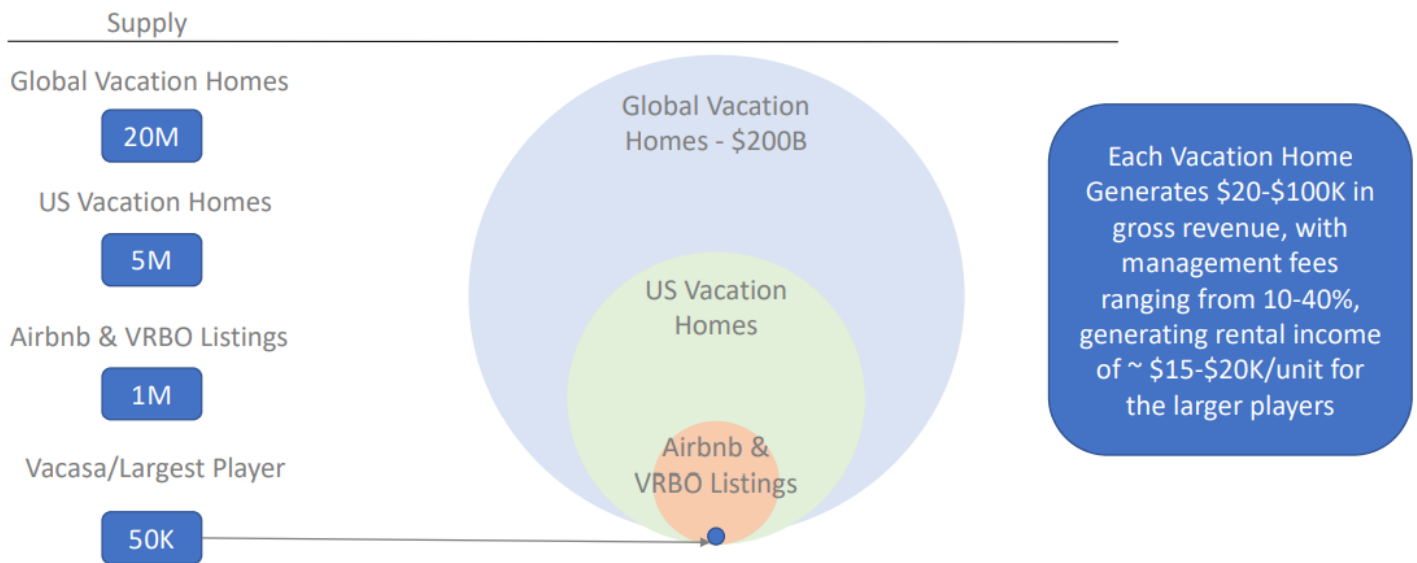
All in all, despite its positive claims and crafted outlook, it is not likely that business will be booming for National VRM.

Expect to hear of more staff departures from National VRM in the very near future.

Read more here: <https://lnkd.in/eETdccNQ>

Enormous But Fractured Market

There are over 23,000 Property Management companies in the US alone



Notes:

Vacasa is Simply Arbitraging Scale

Vacasa commands a 4x Valuation Premium without Solving the Operating Leverage Problem

Ex: 100 Unit Property Manager		100 Unit PMC		Vacasa	Notes	Other Market Comparisons		
						Company	Units	Value/Unit
Units		100	25% Churn	75	High Churn Creates opportunity for others	Turnkey	4,624	\$134K
Revenue/Unit	Mediocre PMC estimate	\$15,600	20% Lift	\$18,720	Vacasa systems increase revenues somewhat	Vtrips	4,500	\$222K
Contribution/Unit	35%	\$5,460	15% Lift	\$6,300	Flat Margins on higher \$/unit	Sonder	12,000	\$183K
EBITDA/Unit	15%	\$2,340	Losses	-\$1,700	Vacasa is destroying Economic Value to the Property	Avant Stay	1,000	\$100K+
Per Unit Valuation		\$21,060	5x Premium	\$100K+		Evolve	19K	\$52K
Total Valuation		\$2.1M	4x Premium	\$7.5M				
		What Vacasa Pays for M&A		What Vacasa Gets in Valuation				




Notes:

Does this smell right?

Homeowners can make significantly more profit when they switch to Vacasa from self-managing.

Illustrative homeowner P&L view

Per unit per year	Illustrative FRBO	 vacasa
Gross rent to homeowner	\$18,600 ¹	\$27,280
(+) Fees to homeowner	\$3,095 ¹	\$0
(-) Commissions paid ²	(\$1,240)	(\$8,185)
(-) Direct home care costs	(\$6,060) ³	\$0
Income	\$14,395	\$19,095
(-) Labor (opportunity cost)	(\$10,400) ⁴	\$0
Economic benefit to homeowner	\$3,995	\$19,095

¹ Based on AirDNA data for individually managed whole home units in Vacasa markets, cross-referenced with Vacasa performance data.

² Assumes 7% commissions paid for illustrative FRBO based on average of Airbnb, Vrbo and Booking.com commission rates; assumes 30% commissions paid for Vacasa homeowner.

³ Assumes 27 reservations per year based on 3.7 nights per reservation.

⁴ Illustrative \$20 per hour opportunity cost.

Notes:

Illustrative Vacasa direct transaction economics.

Gross Booking Value ("GBV") build-up

Rent per night	\$175
(x) Nights sold	4
<hr/>	
Total rent	\$700
(+) Taxes	\$60
(+) Guest and service fees	\$240
<hr/>	
Gross Booking Value	\$1,000

(\$490) Homeowner payout

Vacasa keeps ~30% of total rent with ~70% going to homeowner

Guest and service fees offset care costs incurred by Vacasa

Gross profit build-up

Rent commission	\$210
(+) Guest and service fees	\$240
<hr/>	
Total revenue	\$450
(-) Cost of revenue	(\$215)
<hr/>	
Adj. gross profit	\$235

Notes:

Competitive Landscape



Branded Home Property Managers

INVESTMENT BANKING
DIVISION

Company	Ownership / Fundraising	Size and Current Trading (as Applicable)	Commentary
SYKES cottages	Acquired by Vitruvian Partners for \$480mm	17,500+ Properties \$87mm in 2019 Revenue	<ul style="list-style-type: none"> Founded in 1985 by Clive Sykes, Sykes Holiday Cottages is a leading UK holiday cottage rental agency Provides homeowners with market-leading pricing systems, 24-hour emergency helplines, and full property management services Reports 46% of bookings in the UK are by repeat customers and 80 % of bookings completed on company interface
vacasa	Public Raised \$200mm from PIPE investors + \$285mm at DeSPAC. Partner: TPG Pace Solutions.	\$4.5bn valuation	<ul style="list-style-type: none"> Founded in 2009 by Eric Breon, Vacasa is the largest full-service vacation management company in North America Over 400 destinations and 1.6bn gross booking as of 2021 Based in Portland, Oregon Vacasa manages properties in 31 U.S. states and 17 countries Offers tech-enabled features such as 3D online home tours and 24-hour guest / owner support Tech platform helps owners increase revenue and sell on multiple platforms including Vacasa's own platform. Homeowners can increase sales by up to 20% with Vacasa. Acquired Wyndham Vacation Rentals for \$162mm in Jul. 2019 Lead investors: Silver Lake, Riverwood Capital, Level Equity, New Spring
awaze	Acquired by Platinum Equity for \$1.3bn	8mm bookings / yr	<ul style="list-style-type: none"> Founded by Henrik Kjellberg, Awaze is one of the largest managers and owners of holiday rentals in Europe Before acquisition Awaze served as the European arm of Wyndham Vacation Rentals 110,000 units in over 600 destinations in more than 36 countries
Vtrips	Private		<ul style="list-style-type: none"> Founded by Steve Milo in 2002 Vtrips manages upscale properties in Florida, South Carolina, Tennessee, New Mexico and Hawaii Vtrips offers local, dedicated property managers and 24-hour maintenance services

Source: Company Websites, Company Filings, Crunchbase
Selected Company Profiles

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EXICON

Notes:

Competition

“It isn't that National VRM has no competition in North America in vacation rental management, but there isn't a strong challenger at the moment after National VRM bought out its strongest competitors over the last two years. In such a hot market, look for that void to get filled pronto.”

Dennis Schaal, Skift

Notes:

National VRM Strengths

Branding/Visibility

- National VRM has money to invest in things that many smaller PMs can't, such as vehicles, signage, and other branded collateral. Their marketing pieces (digital and paper) are beautiful, clean, and compelling.
- In the Bethany Beach, DE/Ocean City, MD area you almost can't go anywhere without seeing their trucks and vans riding around town. This visibility goes a long way in promoting their business and giving guests and property owners a sense of security/validity.
- You can literally drive down Coastal Highway in North OC and see a string of National VRM signs one after another along "high-rise row." As a guest or property owner, you'd probably start to think that National VRM is the only PM in town.

Multi-Unit Acquisitions

- In Ocean City and Bethany Beach specifically, National VRM has strategically acquired PMs who manage multi-unit buildings. There are so many benefits to acquiring multi-unit buildings where the units are the same or almost the same (see below) – this is likely having an exponential effect on National VRM's success.

Notes:

National VRM Strengths

Data: Having multi-unit buildings allows National VRM to be more fine-tuned with their rental rates because they have so many comps to work with. This means they have a treasure trove of data – and data is power. National VRM can be more effective in its projections to existing and prospective owners because they know with accuracy what their earning potential is.

Efficiency: Operationally, multi-unit buildings can be more efficiently cleaned and maintained because they're like-kind units and they're all in the same place. Cleaners and maintenance teams can plan ahead more easily and move through units much quicker (as opposed to driving through 10 miles of gridlock to get to each unit).

On-Site: As primary PM at a multi-unit building, National VRM likely has an on-site office to be their home base – great for handling guest/property issues. When guests need to be relocated due to a double-booking or property repair, National VRM can swiftly relocate the guest to similar unit in the building.

Preferred Relationship with Airbnb?

Notes:

National VRM Weaknesses

Need to cut expenses – say they are a technology company and invest in their own PMS company.

Owners Are Just a Number

National VRM is very weak when it comes to relationships with property owners. Communication is poor. Owners don't receive a high level of personal service or involvement in their rental experience, and they aren't allowed to provide much input. They are basically told how things are going to run.

Poor Training/Staff Relations

Not only are the owners just a number, but the staff are, too. Training is poor/non-existent. Upper management is largely detached and uninvolved with staff. The structure is very disorganized, with areas of responsibility shifting all the time. This results in a high turnover of staff, which leads to poor management of properties, poor relationships with owners, issues that fall through the cracks, unhappy guests, etc., etc.

Pricing

They have driven pricing in the market to unrealistic pricing levels in all their markets. People doing the pricing are not local.

Notes:

National VRM Weaknesses

Unethical Practices?

From a former employee of an acquired company in Ocean City, MD.

- “The management is unethical, and the company straight up lies to staff, vendors, owners, and guests.”
- “They double dip on fees, switch contracts, AND they have a great legal team.”
 - Charges owners and guests for cleaning fees.
- Slow to pay third party vendors.
- They don’t answer the phone

Churn and Burn

They tell the acquired employees that they expect 20-30% of their inventory.

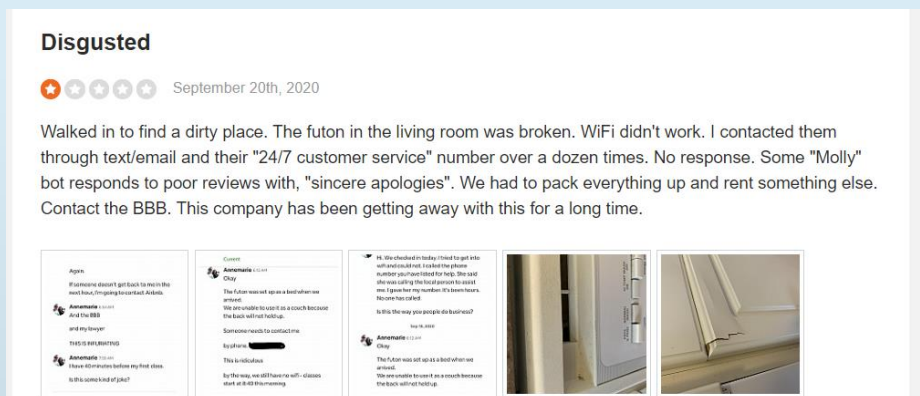
Termination

Owners who want to leave National Player’s program must give 90 days notice and must honor any existing reservations.

Notes:

How to Compete

- Local presence and use your personal relationships
 - Knowledge of the market
 - Realtors
 - Pricing
 - Vendor relationships
 - Community presence
- Personal service with your owners and guests
- Answer the phone



Notes:

My Thoughts

Ben ten Haaf of Lizzie Lu's Island Retreat 1/3

There appears to be two models being pursued when we talk about national VRM's, the first we are all familiar with, Vacasa. Based on appearances their strength marketed to the audience is their size and technology, of course marketed differently to both the guest and the homeowner. To the homeowner they continually reference their ability to dynamically price correctly and ensure the home meets the highest of cleaning standards. We would agree that dynamic pricing used correctly improves the bottom line but disregards any guest relationship that we find incredibly valuable and important. The customer is marketed with the same cleaning material and a wide variety of homes throughout the United States so you can stay with their brand. However, the execution locally of cleaning appears to be poor based on social media comments and in our opinion the larger the organization the more difficult it is to execute a quality cleaning program.

Locally, Vacasa on Anna Maria Island has had an incredibly poor performance, declining from approximately 270 homes under contract to 190 as of November 2022. On the local Facebook groups people are not shy to share their disdain for the company. Most comments refer people to locally operated companies, there is also a push to use Florida Rental by Owner, but I don't see that gaining traction over the large OTA's, it appears to be more of a niche group.

The second group of companies aiming for a national presence have a different appearance to the guest and one that I would think would have a better chance of scaling. That is acquiring local PM's and keeping the branding in place, meaning on the surface the guest doesn't realize it is part of a larger organization. It seems Vtrips is taking this path along with others, including one local company that has expanded rapidly in the past few year. Originally a developer, AMI Locals has expanded through outside investment adding homes and then acquiring two large management companies on Anna Maria Island. They have also expanded south to Lido Key and Siesta Key managing approximately 1,500 homes today from approximately 170 a few short years ago. In addition, they have been acquiring hotels in the same region as well as Melbourne Beach and Marathon, Florida leading one to believe the expansion plans are just beginning. Each of these companies has retained their original branding, while being rolled up under Prime Vacations. Each of these companies have a local presence, although the efficiency of sharing staff across brands.

The last item with regards to VRM's relates back to Vacasa at the time when they became publicly traded, Matt Roberts specifically indicated their position was to be supply centric to accelerate returns consistent with the strategy he utilized at Open Table. We've also seen Eric Breon has sold over 2.4 million shares this fall at a time when the price has been the lowest, someone with any degree of confidence in the company in my opinion would not be that big of a seller.

My Thoughts

Ben ten Haaf of Lizzie Lu's Island Retreat 2/3

Marketing vs. Housekeeping/Maintenance

When we shift our focus off the National VRM our biggest impact for our business is made in the marketing and housekeeping/maintenance aspect. And currently it seems (I think) the hotel lobby is working hard to capitalize on the poor quality of these large property managers or any for that matter than do not perform well. If anyone has noticed there seem to be "sponsored" Facebook ads that I receive talking about how unreliable and expensive vacation rentals are and how someone wouldn't stay there when they could get a hotel for the same price and know what to expect. I have not seen much from what I would consider a reliable source but there is some work being done there. The main point is our focus in our opinion needs to be on the quality of the home and the guest stay and is something the National VRM is going to have difficulty competing on at scale.

Now our position to property management is slightly different because inventory is owned by the business, so we have significant flexibility in what we want to do, but most of the items revolve around basic items like organization, power washing, outside landscaping appearance rather than major remodels, or significant purchases. We do several things intentionally to ensure the guest quickly realizes what is being done prior to their arrival. For instance, silverware is stacked sideways and orderly in every drawer so they know we looked, it also just looks nice when you open the drawer, we deliver new linen at the door in clear Rubbermaid totes prior to check out so they can see everything is replaced including duvet covers (you'd be surprised how many people are intrigued to see the turnover process start and to see organization in the delivery). For more involved maintenance such as painting, furniture replacement, etc. we generally start having discussions six months before we really think we need it. But we keep "oh crap" furniture in the office to quickly change out a couch, chair or something that can be done during a turnover.

We receive a lot of solid feedback based on the quality of the product that is put out much of it references the cleanliness of the home and/or how the house is stocked with what they need while they are here. Once in a while you'll see a review referencing a problem, they had that we have managed to turn into a positive experience largely because we try to get in front of it within an hour and at least start the process. Some of course may take a minute or day to fix but they know we are working the problem; we are using technology to communicate progress and that seems to avoid most of the conflict that might arise. We issue very few, almost no refunds for issues we have due to this. We keep a binder of the office and print every review we get regardless of where it comes from so we can flip through it or anyone can really, but on Google we carry a 5.0 review status and on all of our VRBO listings based on what I just looked at, every review we have there has been 5 stars.

My Thoughts




Ben ten Haaf of Lizzie Lu's Island Retreat 3/3

We may be counterintuitive, but we spend little on marketing and just try to keep the current guest happy spending dollars keeping homes running well and we're able to because we have ownership there. That has resulted in a significant return rate. As of today, during our Fall Break rentals we currently have 27 out of 29 homes checked in, of those 1 I'm related to, and 12 have stayed with us in the past, 2 I know were recommended by a current guest and the rest I have no idea why they picked us. Our VRBO bookings used to be insignificant, but COVID changed that increasing it quite a bit with 2022 currently representing 10.8% of bookings, I suspect that will decrease again as things normalize out. We not list anywhere else currently to avoid any costs and based on our Key Data, we're doing better than the data set we compare against, with a couple outliers. For that reason we are not concerned with any National VRM.

All of this operates well because of the leaders we have at Lizzie Lu's, if anyone has ever met Jill, she is the backbone of our back of the office operations. She has great support from two strong individuals coming up through the ranks and that group has done amazing things to ensure the homes stay in near perfect condition. However, to make this all work is a challenge and we don't see how we can do it beyond 40-50 homes in the fashion we currently work considering the labor market and general operating constraints. We have somewhat accepted the fact that most of our cleaners are going to get the home 80% clean to our standards after trying to train people and teach but never really getting there with most, in fact we've found in some instances more compensation resulted in a disincentive to come to work because there wasn't a need which was mind blowing. Our goal moving forward is really to focus on a few strong individuals with great potential and build a strong team, we will still train and hope for people to come around, but we are strongly considering hiring a few contractors to clean the homes and shrinking our internal employment to very few strong well-paid individuals only that can fix the homes before a guest walks in.


This discussion can end up down a number of rabbit holes, lots of them, but we have not seen anything that would encourage us to change the way we are operating. We'd like to find ways to get more efficient to take on higher numbers, but we haven't figured that out yet without compromising quality.

Selling to National VRM – Goode Vacation Rentals

 [Vacation Rental Management](#) [Real Estate](#) [Company](#)   [My Account](#)

Brian Goode and Goode Vacation Rentals

An industry veteran sells his Hilton Head Island business to Vacasa.



In 1985, Brian Goode decided to reinvent himself.

“I have a background in negotiating, and the National VRM team was excellent,” he reported. “I didn’t get bad vibes anywhere along the line, which is natural in negotiated deals. It was all very professional.”

Notes:

Selling to National VRM – Goode Vacation Rentals

“Some of my best employees stayed on with National VRM—including my stepdaughter, who’s been working in the industry since she was 15 years old,” said Brian.

“Now, my staff is even more available than they’d been even at Goode Vacation Rentals,” he told us. “National VRM is a more robust organization, which means other people can cover the things that were secondary and tertiary responsibilities my team had to cover in the past.”

“I also told them that National VRM is honest, but it's more than that,” he continued. “They’re professional. National VRM will work to make the deal as painless as possible from acquisition to closing. They're on your team.”

Notes:

Selling to National VRM --Vantage

Brad Callahan, owner of Vantage Vacation Rentals

“When I analyzed what National VRM brought to the table, they checked a lot of the boxes for services that I wanted for my homeowners. I am so confident that National VRM is on the right track that I volunteered to be the first Vantage homeowner to list my properties with them.”

“National VRM has a strong online and SEO presence,” he says. “[We] really appreciate the owner portal and the ease of finding details and data on individual properties. Changes like no marketing fee, shifting to guest-paid cleaning fees, and a free photo package were all benefits that owners were very excited to receive.”

Notes:
