**12.03.2025 - Video\_Transcription**

[Attendee 12] (0:17 - 0:18)

Hello, how are you doing?

[Attendee 4] (0:19 - 0:29)

I'm not too bad, I'm on the scaffolding and I'm actually on the ladder on the scaffolding, it's crazy, like these people, communication is absolutely shocking. How have you been?

[Josh Keegan] (0:30 - 0:31)

What do you mean it's shocking?

[Attendee 4] (0:33 - 0:56)

I'm on the job and we are installing supply for over window blinds, as you can see, but I actually need to use an extra ladder just to be able to reach this. Oh right, and that was the point of the scaffolding. That's the point of the scaffolding, I don't know, but yeah, it's going to be a good video for my reel.

How have you been?

[Josh Keegan] (0:56 - 0:59)

Well, at least you got a big smile on your face and you're rolling with the punches.

[Attendee 4] (1:00 - 1:02)

I'm always doing that, I'm always doing that.

[Josh Keegan] (1:02 - 1:04)

You are, how are things going?

[Attendee 4] (1:04 - 1:22)

I've not seen you for a while. Challenging, challenging, challenging with people, challenging, I think it's people, that's all that is. If it will be up to me, I can go and do it, but when you rely on people and they don't deliver, that's very challenging.

[Josh Keegan] (1:24 - 1:41)

Yes, I think in what you do as well, it's like if someone doesn't turn up, it's not like in kind of back office where someone could do an average job and you kind of train them for you, if someone just doesn't turn up or whatever, everything falls apart, doesn't it?

[Attendee 4] (1:42 - 2:01)

And I've started recruiting professionals and oh my god, other electricians are just drama queens. It's just like how people, how our customers put up with this level of no customer service or no communication. I just don't know how other people make a living in this trade.

It is crazy, it is.

[Josh Keegan] (2:02 - 2:03)

It's absolutely bonkers.

[Attendee 4] (2:04 - 2:09)

But anyway, what I'm going to do is I will put the camera off and just listen to you.

[Josh Keegan] (2:10 - 2:20)

Yeah, sounds good. I'm just, here we go. I thought it was just going to be me and you then for a second, Greg.

I mean, everyone started coming in. The on time is late, on time is late, proper entrepreneurs. Good morning.

[Attendee 11] (2:21 - 2:26)

Hi, we needed a passport this morning, so we just got it for some reason. Yeah.

[Josh Keegan] (2:27 - 2:47)

Morning everyone. Oh right, so you guys are waiting for a password to get into Zoom. Yeah, it is, yes.

Ah, right. Oh yeah, they've just put on the WhatsApp. Oh, I was going to say like, I really, I've always appreciated Greg, but I thought if he was going to be the only person to attend this session, it's kind of like a happy, sad thing.

[Attendee 4] (2:48 - 2:50)

I would love to have you all to myself. It would be amazing.

[Josh Keegan] (2:52 - 3:31)

Well, that would have been a treat, maybe next year. Thank you. Hey, Sean.

Hi, Danielle. Hello, Kate. Yeah.

Hello. And Francine, you've gone off, but hello, Francine. We'll give everyone a minute or two, because I think obviously the passcode thing might be a new thing, so we'll just let everyone get in and then we shall get started.

While we're waiting, how's everyone getting on? We have got 14 days of winter, 14 working days of winter left. On track?

Kate, for some reason I imagine you're smashing it. I think you're going to give yourself a hard time, but I think you're smashing it. Am I right or am I wrong?

[Attendee 10] (3:32 - 3:34)

We're ploughing through things.

[Josh Keegan] (3:35 - 3:36)

Yeah. Good, good, good.

[Attendee 10] (3:37 - 3:41)

Some re-mortgaging at the moment to release some equity, so.

[Josh Keegan] (3:41 - 3:42)

That's always fun, isn't it?

[Attendee 10] (3:42 - 3:43)

Yeah.

[Josh Keegan] (3:43 - 3:56)

It's always fun. It's like the most painful process in the world. You get to a point where you're like, I don't want the money anymore.

Well, normally it happens to me. How are you getting on, Danielle? How's winter going?

[Attendee 9] (3:59 - 4:08)

Yeah, good, actually. Yes. You kind of keep thinking of things you want to add to the list, but I think sometimes you have to remember just to wait for next time.

[Josh Keegan] (4:09 - 4:30)

Yeah. And remember as well, like it depends how big those things are, because winter is all about building, but then you do have spring and spring is not really about, you know, building new stuff, but it might be tweaking existing. So if you've already got a process written and you want to tweak that or, you know, add some small bits and pieces in here and there, like you still can do that in the springtime.

It's just the big stuff when you get landed by the end of winter. How are you getting on, John, with yours?

[Attendee 2] (4:32 - 5:00)

Not too bad, actually. I spent a bit of a painful morning trying to pull some finance stuff together. I will get back to your voice note.

Apologies, I've not done so. Yeah, it's starting to highlight a few things I didn't know I had, sorry, issues I didn't know I had, but also it's preparing the way for the financial fortress, sorry, finance function. So yeah, good.

Just a little painful, a little slower than I'd like, but it's good.

[Josh Keegan] (5:01 - 17:38)

It does take time. The finance side of stuff is not easy. It does take time to work yourself out and put it all together.

So it's just good to hear you're progressing and moving through and hopefully we can help you in this session as well. I'll just say hello to everyone before we get started. So hey Rob, hey Matt, hello Tina, hello Casey, hello Vadney.

Right, we'll get cracking. Nice to see everybody here and yeah, I'm really looking forward to diving into this session with each and every one of you today. The session today is all about business modeling and what I want to do is have a little bit of content just to refresh everyone's mind in terms of what we're talking about and what a business model is and why it's important, but then spend a bit of time or a fair chunk of time actually getting into the realities of what a business model is and how you can actually put it in place for you and for your business moving forward if that is okay with everybody. So I'll dive straight into it.

Well actually before I do, how are people, how is everyone getting on? So obviously we did the session on business modeling, creating a better business model. Everyone that's on the call, who has made some significant progress with that?

No, who needs help or yeah a little bit, who kind of knows what they need to do if you don't manage to get around to it yet? A few, cool, nice. Okay, very good.

So we'll dive into it and we will crack on, but I would say this is probably one of the most important things you can actually get nailed this year before you get started with 2020, 2025. So if I just recap and I'm just going to share my screen. So yeah, this session is, take a second to load, there you go.

So you should be able to see a slide that says bulletproof business model. So good, you can never see that. Right, so this session is all about bulletproof business model and the whole concept here is don't build a business, build a business model.

Most entrepreneurs spend their lives building businesses that don't actually make any money and the difference between those businesses that make money and those that don't is the business model. And this is where we get the structure, the framework to actually work out how our business should perform financially, what are the rules of the game to make sure we maximise our margins within our business. And this, I would say, is one of the most important tools for scaling a highly lucrative business.

The last couple of months in the programme, we started with the first question, which is where are you now? And that was all about world-class finance function. So this is all about the systems and software, the four professionals, the three pillars, and all the things you need to do to make sure you have what we would call financial clarity.

And that's always step one. And you'll find it much, much easier to work out where you're going if you know where you are now, 100%. It's like, you know, if you type a destination into your sat-nav, but the sat-nav doesn't have GPS, doesn't know where you are, it's going to guess some directions, but it's not really going to be the most accurate directions in the world.

So really, I'd say as an absolute basics for you in 2025, if you've not already got financial clarity, if you don't already have the four professionals, zero, you know, monthly management accounts, and understanding how your business is doing financially, then I'd say that's where you need to start. Step two is then where are you actually going? So it's all very well known where you are now.

That's great. You know, most entrepreneurs, they never actually get clarity on that. So having clarity on that is phenomenal.

And that's, you know, huge milestone. But then step two is like, where are you actually going? And where do you want your business to get to?

And what does success look like for you within your business? That's step two. The whole ethos is you wouldn't build a house without a blueprint.

You wouldn't, would you? You would never even dream about laying a brick or digging some foundations without a blueprint. Why?

Well, because you know that if you dig foundations in the wrong place, that it's going to cost you an absolute fortune. Because you know that if you don't get this done first, you're probably not going to get the house you want. It's going to be wonky.

It's probably going to fall down and it's going to be poorly, poorly designed. You're going to have to live in that house or, you know, see that house every day and just feel frustrated that you didn't take time out to build it correctly before you got started. And the exact same with a business model.

Like entrepreneurs, they go and they start selling, they just start recruiting, they start, you know, buying houses. And that's absolutely cool. And you know, I applaud you for getting started.

And obviously like getting started is a huge hurdle for most people. So that's, that's great. But what we need to make sure each year we take stock and realise that where are we actually going with this?

What business are we actually trying to build here? What, how many clients do we actually need? What are we going to charge those clients?

What are our margins going to be? And what does success actually look like for our business? And the whole ethos is we actually work out what that looks like.

And then we go ahead and make that happen as opposed to just making stuff happen with, with a hope that we're going to be looked after at the end. And that's the bullet proof business model. So there's six steps to doing this, which I took you through in the session.

The first is prices and packages. So very simply, this is the bit that most people know is, you know, what are you going to charge and what are you going to offer? You know, what your actual packages, what your services, what you're actually going to charge to deliver those services.

So I can see I've got Mandy on the call, for example, Mandy has a letting agency. One of her prices will be for her general management service. And then she'll have to work out what's included in that.

She might also charge for a tenant fine fee, what's included within that. I've got John on the call, I can see John's face in front of me as well. So John's sourcing business.

So he might charge, right, this is my sourcing fee, or this is my project management fee, here's what's included. Then we're going to look at our COGS, so cost of goods sold. And the whole ethos here is, what does it cost you to deliver the additional product or service that you actually sell?

So John, he sells a sourcing package to somebody, right, I'm going to source you a deal, then it might cost him an additional £200 for viewings. Or he sells a project management package, but he sells it for £2,000 per month. And then he knows he's got to pay a project manager a variable rate to then deliver on that for him, and that's £1,000 out of that additional sale.

So the cost of goods sold is, as it says, the cost of the goods that you actually sell, otherwise known as variable costs. And the whole ethos here is, these will go up and down with your sales. So if you make additional sales, you're going to incur more.

If you make less sales, you're going to incur less. That's why they're called variable costs, they vary with your sales. By the way guys, if anyone has any questions, raise your hand or feel free to stop me.

I'm going for a relative pace because we did this in the workshop, but if you're still not clear on any of these points, I'm really happy to explain them in more depth, in more detail. The next is your gross margin, and this is very simply the price of the item you've sold, the good or service you sold, minus your cost of goods sold, gives you what's called a gross margin. And the whole ethos here is, you need to know how profitable your sale is.

So, you know, if I come to Property Entrepreneur next month and I say, look, I just did this amazing £10,000 sale and my cost of goods sold were £3,000, well then my gross margin is 70% or £7,000. So £7,000, 70%. That's great.

I could also come to Property Entrepreneur next month, say I did a £10,000 sale, but I don't really want to speak about the gross margin because you say, what's it going to cost you? And I could say, well, it's actually going to cost me £10,000. So actually, I made a £10,000 sale.

It sounds great. I could stand up in the fence and say I made an awesome £10,000 sale, but if I'm making no gross margin, it's a waste of time and energy and there's probably no point. It might have some minor cash advantages for the business, but generally we want to avoid being, we want that gross margin to be as high as possible.

And there's a big difference between sales and profitable sales, and that's the gross margin. So in general, we want that to be, it depends on the industry, but I would say if you want to hit like a 30, 40% net margin, you want that to be at 60, 70% gross margin. And that's where you need to be operating at.

That's more for like a service based trading business. If it's, for example, a property portfolio, your gross margin might be more like 30, 40%. Your net margin might be lower, but that's fine because it's asset backed and that's a different game that we're playing.

We then have a net margin. So the gross margin is profitability of your product or service. Your net margin is at the bottom of your P&L.

That's the profitability of your business. I have two businesses, so I can see Mandy on here still on the screen. So Mandy, you're going to get picked on until your face moves, sprightly moves off.

In fact, while it does, I'll move it down so I can't see you anymore. So I won't keep picking on you for the next one. But for example, Mandy could have this great letting agency.

She spends all this time scaling this company and she gets it to 300 rooms and Mandy's gross margin is 70%. She's listening. She's, she's really tuned into it.

She's done a really great job. So from her 300 rooms, she generates, uh, let's say easy maths. Let's, let's bring it down a bit.

So because my brain can't cope with the maths without a calculator. So Mandy gets to a hundred rooms and she's generated a hundred thousand pounds worth of, of, of revenue from the management, from everything that's going on. She operates at a 70% gross margin.

So that means she got 70,000 pounds of gross margin, and then she has, uh, 50,000 pounds worth of overheads. So that means she's left with 20,000 pounds worth of net margin at the bottom, which would give her a 20% net margin. So that's the profitability of Mandy's business.

Now, Josh then comes along and Josh goes, Oh, I like you, like you doing Mandy. Um, but I'm going to do the exact same thing. So I managed to get to a hundred thousand pounds worth of revenue using a hundred rooms.

My gross margin is still 70%, but rather than doing what Mandy did, which is she got, uh, you know, she, she let her ego get ahead of her. She got an office on Harley street in London. She recruited, um, some expensive UK based team members got an MD in place all on, you know, 30, 50,000 pounds a year.

I said, well, that's a great idea, but I'm actually going to recruit in the Philippines. So our gross margin is exactly the same. My overheads are only 20,000 pounds, whereas Mandy's were 50.

So that means my net margin is going to be higher. So the net margin is the profitability or the margin associated with actually running the business. So you can have two letting agencies, two sandwich shops, two sourcing companies that are selling the exact same price, exactly the same gross margin, but how effectively the business is being run from a cost perspective impacts the net margin.

Okay. So that's net margin. We then have sweet spots.

So we're going to talk through them again in a moment, but this is basically the concept of a business doesn't make money at every single level. You need to work out the size you're going to get to and work out how big you're going to be. And then once you get to that size and you're profitable, you want to stay there.

So that's all about sweet spots. Find that sweet spot where you have three elements that work in tandem, which is highly lucrative, you know, lucrative business. You have a leverage, so you can put minimum amount of time into that business.

And then you have five-star service. And then finally, once we've done all that, we can actually work out what overhead budget is going to be. So we can say, right, every single month, it's going to be 10, 15 grand, whatever it's going to be to actually run and operate this business.

So these are the six parts that actually make up the bulletproof business model. By doing this, you're going to have five money-making rules. So you're going to have your minimum price.

So what's the minimum price you're going to charge? You're going to have your minimum gross margin. So what's the minimum gross margin?

You're going to have your minimum net margin. So what's the minimum amount of money my business can make? Then you're going to have your maximum size and your maximum overheads.

And I said this on stage, but here's a slide for you so you can actually see it. But basically, hopefully this is self-explanatory. Like, what's your minimum price?

You know, this isn't rocket science. It's like, what's the minimum amount you're willing to charge? By charging this price, my minimum gross margin is going to be this.

My minimum net margin might be 20% for the business to operate. And I'm also going to know my maximum size. I'm going to, the maximum amount of rooms Mandy would operate would be 300 or whatever it may be.

And the maximum amount of money she could spend on overheads might be £10,000 a month. So you need your five money-making rules. Let's see if I've got a question in the chat box.

John's asked, is overheads the same as OPEX? Yeah, I think so. I don't really know what OPEX is.

I don't, operation expenditure. I mean, like, yeah, I'd say, I would say they're just the same thing. Yeah.

There might be slightly different definitions, but I'd probably use those terms interchangeably. Yes. I just like overheads.

So this is where we're going to get you guys where you know these five elements and that's what the business model will actually allow you, actually allow you to do. Has anyone got any questions before we dive in and actually do build one of these out in practice?

[Attendee 2] (17:43 - 17:59)

No questions, Josh. It just kind of crystallizes exactly what we need to aim for because it's, once you've got this in place, it's just absolutely rock solid. You know where you are.

You're feeling good because your business is doing well because the numbers don't lie, but it's the right numbers you're looking at. It's, you know, it's really powerful stuff this.

[Josh Keegan] (18:00 - 19:07)

Good. So I, and I agree. And I think that the key, the key sense, the key of doing this guys and trying to make this so simple is that when you have these, you don't have to be buried in spreadsheets all day because these are going to be five rules you're going to remember.

And as long as you stick by these rules, your business will make money. Like as long as you've worked out correctly, your business will make money. So if you, you know, if you've said the minimum I can charge for a client is a thousand pounds and then you catch yourself charging eight pounds for a client, well then you probably know that's going to cause you an issue.

If you know your minimum gross margin has to be 30% and you price at 20%, it's probably going to cause you an issue. If you know that your overhead budget is 15,000 pounds and you've just agreed to spend an extra three grand this month on X, Y, Z, and it's going to take you to 18, you're probably going to have an issue. So although we still want that monthly check in with financial clarity as to where we are, it's these rules that you can just carry around with you all day.

And it's going to help you make all of your good decisions. Yes.

[Attendee 7] (19:07 - 19:31)

Yeah. Sorry. Because of the sandwich bar, like the restaurant, would I have to do that on absolutely every product?

It changes every week for me, like sandwich fillings cost more like, where do I start with that? Or do I just do basically the overall menu, making sure that I'm covering, do you know what I mean? I don't know where to start with that because I've got three different menus.

[Josh Keegan] (19:32 - 20:22)

Yeah. I would say, so it's a really good question. So for anyone that's not clear, Tina owns a restaurant, an operator restaurant.

So, you know, she could say, well, I have a business model for chicken breasts. I have a business model for martinis. I have a business model for wine.

And obviously that would get too much. So for you, Tina, that'd be trying to remember like 5,000 rules, which just wouldn't work. I would say for you, Tina, I'd work on categories.

So I would say, right, drinks, for drinks, you probably want to say, right, minimum, we're aiming per night of 500 pounds for drinks and a minimum gross margin of 40% or whatever it may be. For food, a la carte, we're aiming for a minimum of 10,000 pounds a night and a minimum gross margin of 30%, whatever it may be. I would operate it like that at a top level.

So for each of your products, you're gonna have a minimum gross, and then you can build those out into having like a set of overheads to actually run the restaurant over a month period, for example.

[Attendee 7] (20:23 - 20:24)

Okay, thank you.

[Josh Keegan] (20:24 - 26:35)

Make sense? Yeah, thank you. Yeah, and so take a view on this, guys.

So if you've got 50 products and services, you might find that you group some of those things together. If you've got 50 products, because you're in a manufacturing company, you'd probably group some of these things together rather than doing the whole thing, each individual product. Okay, so what I want to just talk about before we move on, before we actually do one of these lives, is just the sweet spot, because I really want you guys to get this, because it's without a doubt one of the most important parts to all of this.

So the sweet spot. So the sweet spot really is a sweet spot. And I was thinking, like, people ask me, like, why do ultimate FD?

Like, you know, someone literally asked me this one, like, why are you doing it? Like, what's the driver? Is it?

And I was like, well, what actually is the answer here? And it's like, is it because I like it that we make people more money? Maybe.

Is it because I like that people feel more relaxed when they have an understanding of their cash flow and they get to know how their business is going to work? Yeah, there's an element of that. But I think what I love is when you get an entrepreneur to the sweet spot.

And I've been here for a period of time. I'm not here now. I was here and I sold that company and I started again.

And that's cool because I'm going on that journey again. But there's some people in our world that are in this sweet spot space. And this is where three things are in parallel.

And honestly, it's the nicest place you could ever imagine being in business. And I think it's where everyone should aspire to get to. But most entrepreneurs will never achieve this because they're always trying to grow and they never stop.

So the first element of a sweet spot is profit. So this is where your business is high margin. And, you know, Dan talks about high margin being 30, 40 percent plus.

That might be for a trading business service base. For a manufacturing business, it might be 15 percent. For a property portfolio doing single X, it might be 10 percent, whatever it may be.

So it's just high margin for you and for your industry. So that's where you make good money. You have five star service, like, you know, who would rather own, you can own two portfolios, you know, the property portfolio is generating you 50, 15 percent net margin or one that's generating 12 percent.

But in the 15 percent, everyone's complaining. Everyone hates you. Everyone thinks you're the worst landlord in the world.

But the one that you've got 12 percent in, everyone thinks you're amazing. You've got 100 five star reviews on Google. Your clients absolutely love you.

But to me, it's obvious you take less money and you'd have great service because we know that's going to be, that's going to really work from a workload perspective to you, a stress perspective to you. But also it's going to actually increase your margin over a period time as you get more referrals. And the third is leverage.

So it's the time you actually have to put into your business. So how much time do you have to put into your business to actually work in the business? And the whole point of this is, is like as your business grows, you're going to slip into these different zones in between these two areas where you might have two things working well, but one thing isn't going to work well at all.

It's really important you understand where you are now as you work out where you're going to. If you've got really great profit and really great service, this is where you have a job because generally you have minimal leverage and that means you're doing everything in your business. I was chatting to a guy this morning that literally said that that's him.

It's like he's actually got great service. His clients love him. They've worked with the same people for years.

He's got a really great level of profit in there because basically it's just him and one other person. But he knows he can't scale. He's limited with the amount of time he puts in and he has to, you know, he works on holiday.

He works evenings and weekends. That's just a job. There's nothing wrong with doing a job, but it's like most entrepreneurs want more than that because when you do a job, you can only get paid a certain level.

The next is where you have really great service and you have really great leverage, which means basically you've got a great team that are delivering for you. You've got loads of leverage. Your clients are really happy and that's great, but you lack the profit.

And this is what's called a dash for cash. This is where I probably was about six to eight months ago where I scaled my team from two to eight. I've got, you know, had the service, had the leverage, great, but we needed to sell because, you know, that wasn't a sustainable position to get into.

So we had to scale the company over that time. And then next is where you've got great profit. So the business is high margin.

You've got great leverage, so it doesn't require much input from you, but, you know, your service is poor. And this is what we call a false economy because you might be here for a period of time. You might enjoy being here because you have minimal input and you're making good amounts of money, but it's going to come back to bite you.

And over time, the business will start to fall apart because your clients will complain, which means it's going to be way more friction getting more clients. People will start to leave and all of a sudden you'll be back in the business trying to trying to sort out the mess. So you can never really stay here for long.

So when we're creating these business models, this is where we're trying to get to. We're trying to get to a place where you can operate this really well, where you've got enough revenue coming through the top line, which allows you to generate enough profit at the bottom line, but also gives you enough people in the middle and overheads to give you great service for your clients, but give you leverage as an entrepreneur as well. And that's where we're trying to get to here.

So you want to be well paid. The business operates well, but you've got enough, um, you know, uh, flack in the middle for the cost. You need to actually run this thing around.

That is what we're looking to achieve. And that's the whole point of the business model. So if you create a business model, which still relies on you doing all the work, it's, you know, it's not really a business model.

It's just like forecasting. How are you going to do more work? You need to work out.

How do you get yourself out of doing the work? How do you, um, give yourself and the clients service that they need and also give yourself the profit you need to make this a worthwhile business too. Right.

So that's the sweet spot. So this is what the business model looks like. And I'm going to get this open now.

And what I'd invite you guys to do is who would like some help with this to actually get theirs sorted or ask any questions so we can work this through and get this done. Cause I'm all yours for the next half an hour. And basically this is just now live mentoring for me to help you guys get this work done.

So who wants to go first in terms of asking a question or getting the support they need to get their homework done. It's going to be a long half an hour, isn't it? I've got a question.

[Attendee 8] (26:35 - 26:45)

Sorry, I was just going to say I'm in the car. I'm, I'm kind of mobile. Otherwise I would be, um, asking you the question, but anyway, I'm just enjoying listening.

[Josh Keegan] (26:45 - 26:49)

No worries. That's fine. Go on then.

Rob, over to you first. Let's start.

[Attendee 3] (26:50 - 27:04)

Just a question. Um, how did you identify your sweet spot for your estate agency business? Um, and what key areas did you track or key metrics?

Did you track, um, together?

[Josh Keegan] (27:05 - 29:45)

Really good question. So I think one of the hardest things you can do is, is identifying that sweet spot. And this is basically commercial balance, but the business makes money and, you know, you're actually, you've got a team to actually work, work it through.

I think probably the thing I would do for you, Rob, is I'd probably start with just looking at who do you actually need to offer great service to your clients and allow you to step out of your business. So generally with a letting agency, there's five people, five roles that you actually need within that business. Um, the first is a sales exec.

So somebody to actually sell the rooms for you. They'll generally be on a salary plus commission. The second is a, uh, proactive property manager, which is all about actually, you know, the, the proactive work, uh, fire service, certificates, cleaning, whatever it may be.

The second is a reactive property manager. You might not call them these things, by the way. Um, it's just, just give me an idea.

But that's the person that's dealing with the emergencies, you know, stuff that actually comes through, um, tenants, oh, the leak, the ceiling's leaking, the, whatever, you know, that stuff, the day-to-day stuff that comes through. And the whole ethos is you split those roles between proactive and reactive because if you put them in one role, it causes chaos because that person's trying to book certs and they're trying to deal with maintenance issues as well. They're coming in.

Um, the next is your, uh, finance assistant, which follows on from the methodology we taught you a couple of months ago, which is the person that's doing your landlord remittances, doing your, uh, you know, making your payments in the bank, paying your contractors or whatever it may be. And then the fifth and final person is basically more of like a tenancy administrator. We used to call them.

So somebody that's making sure that, that the tenants, when they've, when they've been kind of put into the business, they're being progressed through to actually they're moving to the actual property and all their compliance and their paperwork and their referencing has been done effectively, uh, effectively and well. So what you need to do is just basically what, what would I pay those people? What their rates be?

What would their overhead be? Put that overhead in and go, right. Basin, but that's, that's a starting point.

I don't know your overheads around, right. Uh, using our front line, using quick zero reason, whatever. What does that look like?

I don't want Rob needs to be paid to actually run the business and then go right now. I know what my overheads are. What margins do I want to make?

I'd say an agency 30% plus I would go for, and then you can always work it backwards and go, okay, we charge this amount for 10 to five, which I was just about management, but at this amount of rooms, rooms at the moment, if we then increase the rooms by 200, it gets us to a place where that all works and it all stacks. And that's the kind of process I would go through and a bit of trial and error to play around, but to get it to where it needs to be.

[Attendee 3] (29:47 - 30:09)

Okay, cool. No, that's pretty good. And would you recommend we pretty much manage everything, um, manage our own stock, um, but taking on like client projects and things like that, would you recommend, um, billing ourself?

Um, so setting up the agency in a way that is completely self-sustaining. So we have contracts in place with our own properties.

[Josh Keegan] (30:11 - 31:09)

I, I 100 would, I would, uh, so anyone that uses their own, for example, I've just started using ultimate FD for my own stuff. And I'm, I'm just paying as a client ultimate FD. There's so many good reasons for doing that.

But one reason is by doing that, you can see the actual performance of the, um, you're getting an actual view of the performance of the business. So yeah, a hundred percent, because then your revenue's going to look correct and you can actually, you can actually do the modeling correctly. The only downside to that is if it, it can account towards your VAT threshold.

Um, so yeah, with ultimate FD it kind of works because I can charge myself out of my VAT company. So that the VAT's neutral, a little bit of a cash drag, but it's neutral for you guys. I would get some advice on that because you can charge and then recharge it, like refund it back, for example.

Um, so that you're not, you're not costing yourself the VAT. So ideally you would do that, but I would get some tax advice on that one.

[Attendee 12] (31:09 - 31:10)

Yeah.

[Josh Keegan] (31:12 - 31:31)

Exactly. And for all of the, um, the work you're doing now that you want to, you want to pretend that that's involved because you want to build your overheads around, assuming you've got those units within, otherwise, you know, you'll, you'll always be playing a game where you just look like the business is struggling, but it's not because you've actually got loads more revenue supporting than you're, you're stating.

[Attendee 3] (31:32 - 31:42)

Yeah. Okay. I suppose it could be tracked on like the, like the stuff that you've, you've given us.

It could be tracked on there, I guess.

[Josh Keegan] (31:42 - 32:05)

You need to ask yourselves what game you're going to play. So, um, if, you know, if this, if the plan for the agency is to scale it, grow it and sell it, well then ideally you want to have that revenue stated in there, um, for that sale and that exit, because that's going to be a good thing to do. You want to have that for a few years before you sell.

If it is actually just to tick along and make a little bit of money and manage your, mainly manage your own portfolio, well then you'd just take a different view on it.

[Attendee 3] (32:06 - 32:26)

Yeah. I don't think it is ever to sell it. I think it's more just to, um, to actually understand if it's, if it's, or how it's performing.

Um, because you literally have no idea because you're making all the saving. Um, but yeah, anyway, but yeah, pretty self-explanatory.

[Josh Keegan] (32:26 - 32:40)

Yeah, so I think the sentence is for anyone that's using their own services, you would always, whether you actually put the money through or not, I don't, like that's a tax question, but from a business model and planning session, you'd always assume that that revenue has been paid across because otherwise you can't plan the business as a standalone business.

[Attendee 12] (32:42 - 32:42)

Cool.

[Josh Keegan] (32:42 - 32:43)

That's good. Thanks.

[Attendee 14] (32:44 - 32:44)

Right.

[Josh Keegan] (32:44 - 32:44)

Who's next?

[Attendee 1] (32:55 - 32:57)

I'd like to go, Josh. I'd like some help.

[Attendee 12] (32:58 - 32:58)

Go for it.

[Attendee 1] (33:00 - 33:25)

Um, so I just, just to kind of have a, have a go at putting the figures in, um, just how to input those to find, I want to find out how, um, how much I would need to, what kind of, what my sweet spot is really, and how much, how much I would need to, to grow. Cause it's a fairly small business at the moment.

[Josh Keegan] (33:26 - 33:27)

Is this the letting agency?

[Attendee 1] (33:27 - 33:28)

Yeah.

[Josh Keegan] (33:29 - 34:00)

Oh, cool. So what it is, I'll just show you how to do it in practice because it can be useful for everyone. So, um, I've got a tab here called letting agency, HMO single up, and then you see these yellow boxes.

This is basically what we need to fill out. So let's just delete them. We will get started.

So you're going to need to give me some numbers. You know, likewise, if you're not quite clear on them, that's okay. So what would be your average price per unit?

So that would be, um, your room or a single let that you manage, you know, what would you sell that for?

[Attendee 1] (34:02 - 34:07)

Um, they're about, say average is 600. They're between five 50 and six 50 really.

[Josh Keegan] (34:08 - 34:13)

Yeah. So let's go 600. Great.

And you probably want to do this in more detail when you're in time, but like you want to find some stuff.

[Attendee 1] (34:13 - 34:24)

Yeah. So what, when you say you want to do that in more detail, what I did just add up all the rooms and then divide by that to find the actual average.

[Josh Keegan] (34:24 - 34:36)

Yeah. Just, just check it. Yeah.

Cause if it, cause, cause often we don't know when we're doing, we do a calc, we want to make this on real numbers. So yeah, I would just download a statement from your management system or go on your spreadsheet and just get the actual average and go and plug that in.

[Attendee 8] (34:36 - 34:37)

Oh, right. Okay.

[Josh Keegan] (34:39 - 34:47)

Then, uh, obviously you might not have this time, but so for example, per HMO property you have, what would you say the normal, um, amount of rooms would be per HMO?

[Attendee 1] (34:49 - 34:50)

Um, five.

[Josh Keegan] (34:53 - 34:55)

Management fee? What do you charge on average?

[Attendee 1] (34:56 - 35:07)

Uh, two, two 50 for putting a tenant in and then 200 for an inventory. Um, no, sorry. 75 for an inventory.

[Josh Keegan] (35:08 - 35:13)

Um, inventory is what, when, um, when you check them in.

[Attendee 13] (35:14 - 35:14)

Yeah.

[Josh Keegan] (35:15 - 35:22)

Okay, cool. So basically you're at three, two, five for a tenant buying fee, including the inventory. And then what do you charge your management fee?

[Attendee 1] (35:24 - 35:26)

Uh, management fee is 11%.

[Josh Keegan] (35:29 - 35:32)

And then what would you assume your average tenancy length would be?

[Attendee 1] (35:34 - 35:42)

Um, ours is generally quite long. So back about a year and four months ours is. Okay.

[Josh Keegan] (35:45 - 36:00)

Cool. Um, okay. So then we go, right.

Cost of goods sold. So when you manage a new unit, you bring on an additional HMO to your portfolio. What are the additional costs you incur to actually manage that additional HMO?

It's probably pretty minimal in an agency, to be honest.

[Attendee 1] (36:01 - 36:08)

Yeah. I don't know that. I just know my costs each month, my kind of costs that I have to incur each month.

I don't know.

[Josh Keegan] (36:09 - 36:26)

The top tip would be is, is, is for this, we just used to put a little allowance in it, like £2.50 per unit, uh, just because there was, there was minimal costs, like additional half or whatever it may be. So I just put like a little nominal amount in there. Then when you do your tenant find, are you paying someone to do the inventory for you?

Or are you doing that yourself?

[Attendee 1] (36:27 - 36:29)

I'm doing that myself at the moment.

[Josh Keegan] (36:30 - 36:34)

Okay. So that's fine. So, I mean, the cost for you to do a new tenant find is probably pretty minimal as well, isn't it?

[Attendee 1] (36:35 - 36:39)

But if we assume there's just the referencing.

[Josh Keegan] (36:39 - 36:40)

How much is that?

[Attendee 1] (36:41 - 36:42)

The referencing is £21.

[Josh Keegan] (36:43 - 36:55)

Cool. And let's assume you get like someone on your team, inventory clerk or cleaner, and they start doing the inventory for you as well to check the tenant in, for example. So let's say, right, it's £56.

Go on Rob, get your hand up.

[Attendee 3] (36:56 - 37:15)

Um, I was just going to say for the management fee, um, cost of goods per unit, um, we kind of see it as tiered. So it'd be like, rather than just steady increments, it would be like that. Yeah.

They'd have like 50 rooms. So it might be useful for you to work that out. Because if you take on another 100 rooms, you might just need to actually employ someone.

[Josh Keegan] (37:20 - 37:40)

Yeah. So that, I mean, that might come in your overheads down here, but yeah, you might be right. I think, yeah, it depends how you stack it.

I mean, you could put sales executive commission and stuff in here as well. Yeah. It's a good point.

Mandy, so are you following this? So £56 per tenant fine.

[Attendee 1] (37:40 - 37:46)

Yeah, yeah. Sorry, I was just trying to digest what Rob said. Okay.

[Josh Keegan] (37:46 - 38:02)

Keep it simple for now. Like you might find it, we'll play around with it down here in a second. It's a good point.

We'll get to it in a moment. Um, so let's say you pay your cleaner £35 to do inventory checking for you and you pay the £21. So per tenant fine is £56.

[Attendee 13] (38:03 - 38:03)

Right.

[Josh Keegan] (38:03 - 38:12)

So this basically tells us down here that your, um, your, uh, management fee and your tenant finders fee. So just check those out.

[Attendee 1] (38:13 - 38:17)

I also have to put it on spare rooms. So.

[Josh Keegan] (38:18 - 38:19)

Okay. What would that cost?

[Attendee 1] (38:20 - 38:21)

That's about, that's about £20.

[Josh Keegan] (38:24 - 38:57)

Okay. Let's do that for you as well. So £20 spare room, fine.

It's all out there now. Tenant fine fee. Fine.

So you can see basically based on this, your, um, your management fee makes you about 99% gross margin, which is pretty common. It's very, it'll be very, very high because that's where your overheads come in to manage that. And your tenant finders fee is about 77%, which is, which is a decent level for a tenant fine fee.

I mean, that's a decent tenant fine fee, by the way. Um, that's a good place to be operating at.

[Attendee 13] (38:58 - 38:58)

Mm-hmm.

[Josh Keegan] (38:59 - 39:10)

Then what we might go is right, Mandy, we want your target net margin to be say 35%. And then what we do is we've got to then build out the property. So do you know how many properties you've got now or how many units you've got, um, now?

[Attendee 1] (39:10 - 39:12)

50 units.

[Josh Keegan] (39:13 - 39:24)

So that's, uh, about 10 properties. Yeah, cool. So put in 10 properties, 50 units.

And then how many tenant fines? Well, basically there's around three tenant fines a month. Sound right?

[Attendee 1] (39:27 - 39:29)

Uh, not quite as many as that normally.

[Josh Keegan] (39:30 - 39:37)

So it's just, it's just down. It's, it's based on the assumption we put in earlier around.

[Attendee 1] (39:39 - 39:45)

Oh, okay. We'll leave it like that then if that's right. But maybe two is about right.

Yeah.

[Josh Keegan] (39:47 - 41:14)

Cool. So what this is then saying is that based on where you are now, it's saying that you should be earning around roughly 3,300 pound of manager fees, around 797 pound of tenant fines. Sales is this.

Pogs is this. Gross margin is about 4 grand. And then what it's saying is you've basically to hit a 35% net margin, you can allocate about 2,351 pounds of overheads.

So it might be zero, 25 pounds. You might have insurance of 30. And what you want to do is just allocate these.

And what you might find is you do it and actually you go, well, hold on, this is all I need. So I've got 296 pounds spare, in which case you might increase your margin or you might want to allocate a little bit more. And based on this, it's saying that you're going to earn about 17 grand per annum.

So that might be where you are now. What you might want to do is then go, right, well, actually what's my plan for the business? Well, I actually want to get it up to a hundred rooms.

And that's my next sweet spot where I'm trying to get to. And then you go, right, well, that's what this is all going to look like. And I know if I'm at 100 rooms, I'm going to need to increase this person hours, going to decrease this person hours.

I need to start getting paid. So you go, right, I'm going to get paid 2,000, 1,500. And what you want to do is just build out all your overheads you're going to need at this level.

And then you're going to have a business model at that level based on spending these overheads.

[Attendee 1] (41:15 - 41:16)

Yeah. OK, great.

[Josh Keegan] (41:16 - 41:17)

That makes sense.

[Attendee 1] (41:17 - 41:18)

Yeah.

[Josh Keegan] (41:18 - 42:23)

Thank you. That's right. I'll make sure you get a copy of this business model so you can actually like take the one I've created and just tweak it.

This is what we're trying to do, guys. It's trying to go, right, where are we now? And then where do we want to get to and what looks good?

And then just allocate the overheads and play around until we get to a place where, you know what, that makes sense. And where we get to with this is where we want Manly to get to. She says, right, my business model works if I charge £600 per room at 11% management and £325 per tenant fine fee.

Our gross profit on a managed fee is 99%. Tenant fine fee is 77%. Target margin is 35%.

We have 20 properties with 100 units. And then we spend a maximum of 4,700 on overheads. And that gives us a 35% margin and a 34 grand a year net profit.

That's what we're trying to get to. And Manly's rules will just basically be, right, there's my minimum management fee, there's my tenant fine fee, there's my minimum net margin, there's my sweet spot, and that's my maximum overheads. And that's what you're trying to get to.

[Attendee 1] (42:24 - 42:29)

And it's all this yearly? Are you putting it in yearly or monthly?

[Josh Keegan] (42:31 - 42:39)

This is, well, for an agency, it doesn't really matter. All of these numbers are monthly until you get to the bottom where it says annual net profit.

[Attendee 1] (42:40 - 42:40)

Right, okay.

[Josh Keegan] (42:41 - 42:42)

Okay, fine.

[Attendee 1] (42:42 - 42:45)

Yeah, lovely. Brilliant. That's really helpful.

Thanks. Thanks, Dan.

[Josh Keegan] (42:45 - 42:46)

No worries.

[Attendee 12] (42:49 - 42:49)

Josh.

[Attendee 1] (42:49 - 42:51)

Sorry, Josh. Sorry.

[Josh Keegan] (42:52 - 43:04)

Sorry, Amanda. What did you call me? Did you call me Adam?

No, I called you Dan. That's quite insulting. That's a good one.

I'll take that one. Thank you. Thanks, Manly.

You're now top of the class. Well done. Go on, John.

Go on, John.

[Attendee 2] (43:04 - 43:29)

Just a question, Josh, and you might have mentioned this. Is there any guidelines as to what to aim for? So for example, using Amanda's business, and she might not get there in one year, it might take two or three years, but if you're at this level, kind of try and get to this gross margin in the next 12 months, if you can try and get to here.

So assuming you don't miss your, assuming you're not hit your sweet spot in one go, do you see what I mean? What's good look like, but progressively as well, rather than one big bang?

[Josh Keegan] (43:29 - 45:14)

It's a really good question. And it doesn't really have an answer. Like it's too hard to say, you know, this is what good looks like.

But I mean, talking about my own example, I know what the sweet spot is for Ultimate FD, but I don't think, but one of the conversations I had with my FD was, I said, like, this is where I want to get to. And he's like, yeah, that's fine in two years. And I was like, okay, good, good point.

So we basically half the margin target by the end of this year. And I'm looking at that going, that's very realistic, that's achievable in this year. So you might have, right, this is where we're going to in two years.

But actually, this year, we're going to get to this. And I would say that is a very wise thing to do, because you want to win. You know, you want to get to this year achieve, like if you if you if you know, you're at a 20% margin now.

Well, in fact, like, so for example, you don't want to get too caught up in the margin. Because for example, John, you I think you're in that sweet spot zone, which we'd call like the job, where you need team. So if you're at, say, 20% margin now, and then because you're doing a lot of the stuff yourself, and then by the end, the you got to 10%, but you'd recruited five team members, I would say that's a win.

So it's not necessarily about the margin or what's good. I think that there are lots of different variables. And, you know, last year, I actually was the prior to last year, I was in the job phase.

And this year, I recruited a team, you know, six people. And you know, there's a lot more mouths to feed. And we went to a place where our margin was lower.

And it was cool. I'm fine with that, because that that's when I wanted the leverage. And now we've done the leverage is right now I want to bring the margin back back into play.

But I'm doing it steadily. So it'll be probably half where I want to get want to get it to in the next year. And that's what the business model is built out.

And then the other half the following year.

[Attendee 2] (45:15 - 45:46)

And I think that was my point would be very easy to look at the figures and think, crap, I've got to get my margin up. I've got 100 rooms, 200 rooms, 1000 rooms. And it's probably very easy to fall into the trap of thinking, right, I've got to do this.

And actually, it's, it's not achievable, your workload will go up dramatically. And there is a middle point or even a series of steps to get through to get there, don't go to it in one go, because it's just physically impossible, or you'll burn out or whatever, or, you know, just things to be mindful of in trying to achieve 100%.

[Josh Keegan] (45:46 - 46:34)

I would say, honestly, like, I would say, the most important thing you can do in year one, it's just like if you're if your business breaks, even by the end of end of year, in one year's time, but you're getting paid what you need to get paid to live and, you know, enjoy your life. I'd say that's a huge accomplishment. I think like, whereas you can have someone that says, Oh, yeah, no, I've got my business to 30% pre your salary or after your salary.

Pre salary is, is not it's not too hard to do. Post salary is hard. Like so I'd say, you can get to break even the next year, but you getting paid three grand a month, five grand a month, whatever it is you need, and that'd be a massive win.

And then build from there. Nice. Any more questions?

[Attendee 5] (46:35 - 46:51)

Josh, how would this work for more of a property development or, you know, property flip type business? Because typically, the gross profit is going to be a lot lower than what you're talking about. Unless you, you know, finding magic deals.

[Josh Keegan] (46:53 - 47:02)

Well, you could try and find magic deals or you could try and make it nice and realistic. I mean, talk to me about your like the context of the question. What are you specifically looking at doing this year?

[Attendee 5] (47:03 - 47:43)

So if I was looking at doing I mean, I look at commercial conversions on a development front. And in a competitive market, which Bristol is for this type of thing, you're looking at, you know, trying to achieve probably 20%. It would be gross profit in your terminology, after all direct costs, including finance and cost of build, etc, cost of sales.

But before we as directors would take a salary. So all of our directly employed, so but what we haven't done is covered any of our company overhead, if you like.

[Josh Keegan] (47:45 - 47:52)

Yeah, I think I'd probably with developers, I think I'd probably try and keep it quite simple and go like, assume you're going to do like, I know how many can do this year, one, three.

[Attendee 5] (47:53 - 47:55)

Yeah, one, one realistically.

[Josh Keegan] (47:55 - 48:41)

Yeah. So I probably just use the deal appraisal that you've done and go, right, well, I know, based on this one day, we've got in the pipeline, based on average deal, we'll make 200 grand, a million quid, whatever it may be of gross profit. And then I just run that with the overheads.

Personally, I'll just keep it really simple on that front. So I think for developers, if the volume is pretty low, I would just go, right, we're going to assume we're going to make a million quid, gross profit. And then, you know, you don't necessarily need rules around that, because you've done the stacking to decide what your deal is going to be.

And then I would just be running, right, that's going to be our kind of gross. And then we need to stack the overheads underneath and go, right, make a million quid, our run rate is 30 grand a month. We're very comfortable that the profit is going to be X amount by the end of the 12 months, and we know where we need to be.

So I'd keep it really simple for you.

[Attendee 5] (48:42 - 48:47)

So what we really need to do then is focus on a gross profit figure. I'd say so.

[Josh Keegan] (48:49 - 48:54)

If I was doing development, I would be looking at a worst case gross.

[Attendee 12] (48:55 - 48:55)

Yeah.

[Josh Keegan] (48:57 - 49:57)

With a worst case overhead spend, and then go, and I'd just be making sure there's a good margin there at the back end and just know that I've been monitoring that very regularly to make sure that if that, because you know what it's like, like, build goes up, build gets delayed, you've then got 20 grand extra bridging, 20 grand extra build costs, like we just need, you need to be really careful monitoring that burn rate versus the gross that's coming in.

The actual business model is probably, I think for the rule for you, it's probably going to be more around overhead spend. I think if I was going to say like, what, you know, we talked about five rules. Really, your rule is your overhead spend, because your project's being done, you're going to crack on with that.

And you know what your minimum gross margin that needs to be, and you're going to manage that. So then for me, I'd say your biggest, you know, assuming that's being maintained, looked after, and you're a sophisticated developer, which so it will be, you understand how important that is, then I would just say, what's your overhead spending? That's the, you know, we can spend 10 grand a month on overheads, not a penny more.

As long as we're monitoring that, you should be okay.

[Attendee 4] (49:58 - 49:59)

Okay. Cheers.

[Josh Keegan] (50:00 - 50:58)

Cool. All right. Any more questions, guys?

No, we're good. Good, good, good, good, good, right. All I'll do is just invite you all for a nice little photo then before we finish up.

Come on, let's get a nice wave. Get your cameras on, everybody. You're sitting there.

Ready? Three, two, one. There he is.

Matt Dormans, put it on. Hey, look, well done, guys. Cool.

If anyone has any further questions, obviously, I'm in the Facebook group. I literally am here for another 10 minutes. If anyone wants to take my time now, the main thing is just take some time to get your head around your numbers for the year ahead.

And I know it's not easy. I know it's hard, but this is where you're going to make the money. And this is where you can make most important decisions to make all of this stuff absolutely happen.

And the more simple you can make this, the better it's going to be. So best of luck. If anyone has any questions, reach out in the group.

Can't abandon me. You're going to ask me something.

[Attendee 6] (50:59 - 51:08)

Well, what if you have like your businesses fragmented, you know, a bit of short term, bit of long term, a bit of development, whatever.

[Josh Keegan] (51:12 - 51:39)

Yeah, I'd say it's like similar to Tina's question around the, you know, she's got a thousand things on a menu. I'd say you want a group of thousands. So, yeah.

But for example, you want a group, right? This is what the SA business doing. This is what the support living zone.

This is what the singular portfolio needs to do. That's what I would do. And then you want to you want to track the overheads against that.

And then each month be looking at each group based on how they're actually performing as you go through your BNLs and your banner sheets.

[Attendee 6] (51:42 - 51:48)

And what if you have, like, say a VA that you're sharing across the business, across the different things, you just sort of say, right, a third, a third, a third or something.

[Josh Keegan] (51:49 - 51:52)

I would like a VA, I would say it's overheads.

[Attendee 6] (51:52 - 51:57)

So, yeah, they're allocated to different businesses. If you've got, say, one VA across.

[Josh Keegan] (51:57 - 52:39)

You wouldn't, you wouldn't. You just basically go, right, here's my portfolios. What's my gross margin got to be?

And then here's my overheads across. And where that gets actually paid from is a different question. I would just literally go, right, we we've got all of these companies.

We've got all these properties. This is how the SA needs to perform. This is how the singular needs to perform.

HMOs need to perform. And behind that, underneath, we've got, right, here's what I've had needs to take. Here's what my VA needs to take.

Here's my zero subscriptions, you know, and that sits underneath. The actual, I'd say for you, because I know a bit about your structure, the actual company's structures are a bit irrelevant. It's more how does each one need to perform and then what the overheads to run all these businesses, because I don't think you actually have much that's business specific as far as I'm.

[Attendee 6] (52:40 - 52:42)

Right, it's very fragmented. Yeah.

[Josh Keegan] (52:42 - 53:13)

Yeah. OK, thanks. All right, guys.

Thank you for your time. If anyone needs any help, I offered some U of D reviews. That would be generally for anyone that's hit that 100k revenue mark.

If they need any help or support getting this nailed and want any, any additional help. I'll pop the link in the chat box now. And you're more than welcome to join.

I think we've got two spaces left and we offered five. So if anyone wants it, feel free to make the most of that opportunity. And I wanted to thank you all again for your time.

And just if you need anything, please do reach out in the Facebook community.

[Attendee 6] (53:15 - 53:18)

Thanks, Josh. Thank you, Josh. Thank you so much.

[Josh Keegan] (53:20 - 53:22)

See you later, guys. Bye.