**Audio Session 3\_Transcription**

[Adam Goff] (3:27 - 8:43)

Okay, ladies and gents, that's your two and a half minute warning, two and a half minutes till showtime. Ladies and gents, this is your two minute warning, two minutes till showtime. Okay, ladies and gents, your one minute warning, take your seats please, 60 seconds till showtime, 60 seconds.

Ladies and gents, that's your 30 second warning, make your way into the room, take your seats, kicking off in 30 seconds, take your seats. Okay, lots to do, session three, here we go, session three, I think it's all over, it almost is now. Okay, God, I've got such a big head, my head's too big for this, isn't it?

So, affirmation boards, our year of, our objectives go on our affirmation boards, they go in our office, they go above our mantelpiece, they go in our study, these are the things that we're going to manifest over the year. The first deadline is the 10th of December, which means you've got a week or so to nail this, so that's going to be your deadline to get these, then you'll have them for January, you'll have them for the new year. Yes, we'll probably, we'll do another round in Jan, but it's much better to have this for Jan, so this is that deadline that we all need to actually book it, get it done, and then imagine if you actually had it sorted, so you could go into Christmas knowing it's done, that's a lot less anxiety over Christmas, a lot less stuff hanging over you, why not just get it done?

Spend the next however many days, nine days, make it the focus, craft them, craft them, put them down, pick them up every single morning, and before you go to bed at night and just think, right, I'm just going to do this, that's one thing off my desk, that's my invitation to you, the 10th of December is the order deadline, QR codes are in the workbook for ordering them. Okay, so let's get straight on with one of the crowd favourites, the bounce back boom, do we like the bounce back boom sessions? Absolutely, they're fantastic, aren't they?

Well, we know that stuff's been happening, we've had the autumn statement, some pretty big things coming out of there, and we all really are dying to hear how we can make the most of this window of opportunity and what potential adjustments we need to make in our 2024 strategies before we pin our nails to the mast. Without further ado, let's give Dan a round of applause, let's hand over to Dan, please, ladies and gents.

[Daniel Hill] (8:49 - 31:40)

I just walked into the room, how are we all? Good lunch? Excellent.

So, bounce back boom, economics report, who wants to know everything that was said, in fact, who read the budget, 128 pages? Oh, two of us, fantastic, so if I get anything wrong, you can absolutely remind me, my job is to make it simple, and who would like to know everything they need to know about the autumn statement in seven words and four actions? Fantastic, I'll do my best.

This is our model, we're now into this for the third month, and up to here, we are on track, so inflation, as expected, had a big drop in October, sorry, in November, yeah, in October, and is down to now 4.6%. Mortgage rates, you've probably noticed that there's more competition in the market now, there's no real expectation for base rates to drop any time soon, so the lenders are now going into competition, and you're seeing on a sort of weekly and monthly basis, them chip each other down on rates. My home mortgage that I'm using for the hall for my new house has gone down three times since I had it initially agreed and moving towards completion, and property prices last month were down 1.7%, so we're expecting to see property prices come down. I suspect that will continue through the winter, only due to seasonality, the market's going to quiet down, less people move in the winter, you would normally see some sort of reduction in activity, so that will continue to come down, but nothing aggressive as we've suggested, and mortgage approvals for this month are actually up on last month, which suggests that this sort of stabilisation of the market is where we're expecting it to be, and GDP is going to be the same, it's going to go up and down and dodge inflation by definition, nothing is really happening here.

So this is on track, and from everything that I'm seeing, I'm not seeing any major changes to what we expect at the moment, and we are currently here, so next time I'll give you an update will be in February, if anything big happens between now and then I'll let you know, otherwise this is what we're building into our strategy presentation, in line with what I shared with you in October and November. So, the UK economy, the autumn statement in seven words and four actions, well the government's five targets that they set out to do, when Rishi Sunak came into power, reducing debt, cutting the tax, supporting investment, trying to move towards sustainable energy, and really drive us as this global powerhouse for world-class education, and to give credit where due, they have made progress on some of the big topics, so inflation's gone down from 11% where we started a year ago, to 4.6% last month, cutting taxes, so there is this NI tax that was announced in the autumn statement, for the majority of you in the room, I don't think it's going to change your life, for the average earner, it's going to save you about £400 a year, £400-£500 a year, it's not going to be a huge saver, and also you remember, what's the trap that actually offsets any savings at the minute?

Yeah, inflation just pushing the stealth tax of income bans, and inflation just reducing the amount of money your earnings actually worth, this is going to be one of the actions, is National Living Wage has gone up, and it's gone up significantly, that is a big jump, and it is going to have an impact on, it's going to be another reason why inflation doesn't come down as quick as we want, it's one of the biggest increases that we've seen in decades for National Living Wage, and pushing it now up to £11.44, you're probably going to notice, when you do your budgeting in the new year, it's going to affect some of your people that are on your payroll, so you really need to be looking for the year ahead, what impact this has on your cost base, and also if it doesn't affect you directly, it will affect you indirectly, because it's quite likely your suppliers are going to have a 10% increase in their cost base, of quite a significant part of the workforce, it's going to increase the costs, and you're ultimately going to end up paying that yourselves.

Back to work plan is basically, if you're not, if you're currently on benefits, but you should be working, there's a number of ways to get people back to work, the LHA rate has been raised, which is pretty significant, it's good for all of you that are in the LHA space, and the next level up from that, supported living, housing associations, all of that's going to step up, and the measure that they've used is the lowest 30 percentile, so basically if you look at your area, the lowest, whatever the lowest 30 percent of average rents is, that's what they'll increase the LHA rate to, so in some areas that could be quite significant. Investment relief is not a new thing, it's been around for the last three years, but they're going to make it permanent now, so you basically can write off all of your expenses in certain part of machinery, within year one of expensing it.

Business rate support is being continued, and this is again, it's for the sort of smaller businesses, some of the bigger ones are still being penalised with it, but it's well worth checking what business rate support you have, in most areas, maybe even all, you also get a three month, in fact Susie might be able to confirm there, Susie, is there still a, so on Mankore House, for example, we get three months empty rate relief, is that everywhere or is that? Yeah, everywhere, some industrial buildings, yeah.

So everywhere for small units, you get three months empty business rate relief, and for some industrial, you can get up to six months. Somebody told me that the clause for between tenancies or between vacancies is six weeks, so if one of your companies was perhaps use it for storage for six weeks, and then perhaps it was to go void for another three months, perhaps there was an opportunity there to perhaps extend your rates, and then finally there was an announcement for permit development, which I'm going to share with you about how to, and it looks like it's going to be passed, it doesn't look like it's going to go necessarily into consultation as to whether it's going to be passed, it does sound quite keen that it's going to be passed, and it's just going to be about what criteria, I'll share with you how I think that's going to play out, and then finally is two big things, one is breathing space, so if you, you may have heard the term breathing space before, it happens when people go bankrupt, but it's been quite publicly announced, if you have issues paying your corporation tax, your BAT, and whether that's COVID related or it's just economic facing, you can do a deal with HMRC, so if you're up against it and you need to, there's an opportunity there, but remember that all you're doing really is kicking the can down the road, if you don't have to, I wouldn't use it, but it's there if you need it, and then second, we talked about in COVID, I said to you when we were in the war room back in the day, at some point post COVID, there will be a fraud squad that goes out to see who has illegitimately used these loans, that then came out about two years ago, and in this budget, something I'm going to share with you in a minute, there's a significant focus on tax fraud, like we're only closing the window now between tax becoming totally digital, where everybody has a code for the money they earn and the tax they're due, that's just going to close and close and close, but there is one part that's specifically related to us, which you need to be aware of.

Some of the stats are quite encouraging, sort of heading in the right direction, but do remember, these are just forecasts, and if we've learned anything since COVID, most of the forecasts are revised, if not completely inaccurate. GDP, suggesting that we're going to see growth rather than staying low, it's an encouragement that we're not heading for a cliff edge. Borrowing is on its way down, so the government borrowing less money to keep it going.

Again, it's encouraging, it's heading down, but the big drop is still a forecast. And then finally, just for debt and corporation tax, if we look at the level of our debt against other countries, at the minute, it's quite competitive against the rest of the G7. The problem is, there is some forecast that suggests this is going to spike, which could be a negative.

And then corporation tax, you know, it's up at 25% now for this financial year at the top end, for those of you making over a quarter of a million pound a year. Don't expect it to come down any soon, because it's still the lowest headline rate of corporation tax of any of the G7 countries, so if you're sitting there waiting to expand or do things in this country, you're probably going to waste your time. I can't see it coming down as a headline any time soon.

That said, it's not what I think it should be avoided, because if you're paying 25% corporation tax, and then you want to draw on top of that, you know, we're heading into a period of significantly higher tax than we're used to. A few bits that are hidden in the detail. So, 0.2, 0.25, those who continue to bend or break the rules by reducing opportunities for tax, rules, by reducing opportunities for tax fraud, specifically in the construction industry. So if you're not playing by the rules, whether that's with development finance, refinance, paying your CIS, all those sort of things, it's a very clear tax avoidance strategy now, specifically for the property and construction sector. So I said earlier about 100% coverage from my financial fortress and 100% compliance. That's me basically saying to you, let's tighten things up and do it ourselves before we're forced to.

Those of you that are in the housing association space, additional funding has been provided for a local authority fund, which supports with temporary accommodation, as well as refugees. So if you're in that space, again, it's sort of encouraging that there's going to be finance available for that side of things. Permit development, I'm going to share with you where I think the opportunities are going to be for this, and the main sort of rule at the minute is internally, you can do whatever's required.

There'll be some guidance on it, but it's without changing the front of the building or the facade or the outside. So probably not looking at adding windows. You've got your PD extensions, which may or may not allow you to play the game a bit more, but I think it could be more straightforward than you think, which I'll share with you in a moment.

And then finally, if you didn't clock there, so I put this video in the Property Entrepreneur app. Who watched the AI conference with Rishi Sunak and Elon Musk? Can you watch it?

Cool, I'll make sure I put extra effort into posting videos in the app in the future to save you 45 minutes or an hour of that. Basically, the UK, outside of San Francisco, Silicon Valley, the UK is number two in the world for AI investment and development. Now, this is huge.

The general message at the minute is the UK economy isn't going anywhere fast, apart from, in some capacities, these new waves. And AI, we're right up there. And so Rishi Sunak hosted the AI safety conference, basically.

And we've already invested 500 million, I think it is, so 900 million at spring budget. They're going to invest a further 500 million over the next two financial years, bringing the total investment in the computing side of things to 1.5 billion. Basically, this is definitely an opportunity for the UK.

If we become a global powerhouse for AI, like we did financial services or back in the day, or even still recently, precision engineering, this could be really, really encouraging. So off the back of that, what do we need to do? Well, I would say there's seven words and four actions.

The first word is resilience. The UK economy is significantly more resilient than anyone anticipated, which is a great thing. Equally, as I shared over lunch, I do suspect there's a black swan swimming somewhere around the corner.

And in my view, we seem to be overdue, bless you, some sort of shock. But as it stands, the UK economy has been very, very resilient. The second is as a workforce.

Those of you that have seen me put the Homer Simpson style analogy on the screen before, the UK productivity is low. We're way behind other countries as far as tech and workforce goes. And we have a society of lazy people.

However, the budget is very clear. If you can work, you will work. If you choose not to work, you will lose your benefits.

So that is the way that it's going, which is absolutely the right thing to do, in my opinion. The third is support. Whilst the budget might not be hugely stimulating for the economy, as in like everyone who makes money is going to be...

If you make over a million pounds a year, you're going to make no tax, which then we all get up and we start working really hard. We're not seeing any of that yet. What we are seeing is support where it's needed.

So lower incomes, household support, cost of living crisis, genuine care where people need support. Basically, the government's attitude at the minute is they will support the economy wherever it's needed to keep it going. And that's my time, ladies and gentlemen.

You'll have to guess what the other four are. Oh, Dan's got his receipt out for you, Sharon. Cash card or coins, any is absolutely fine.

Basically, the government are going to support the economy. You're not going to get... The basic logic is we're still playing the long game, we're supporting the economy, but those who are taking the mick are now going to be the first ones to get penalised.

The next is the overwhelming sort of sense from Rishi Sunak, Jeremy Hunt, the autumn statement. What we suspect to see in the spring is this is very much they're playing the long game. Now, this has worked really well for economies over the last couple of decades.

Places like China, where you have a 100-year plan, the decisions they're making now, they're probably not going to see the benefit of under their term, assuming that we see a change in government. But if they were to get another term, it would do the economy really, really well. So we've got the election, which is going to be a risk point, see what happens.

But a lot of these decisions that are being made are not vote winners, they're not people pleasers, they're strategic decisions that need to be made to protect the economy for the long game. The fifth is tax. I suspect we might see some raises by the time we get to spring.

We've obviously got this stealth tax with these income rate freezes, tax rate freezes until 2020. Is it 2028? I thought it was 2028.

That's not going to weather the storm against inflation. It's only going to be a matter of time until people realise what's happened or the economy really starts feeling the pinch. I suspect there'll be adjustments to that in the spring budget.

There may or may not be. But what I would say is there is not going to be any ... Oh yeah, sorry, so that's that one.

Corporation tax is not coming down any time soon. And then the stealth tax, never really assumed we would have double digit inflation. I think we'll probably see an adjustment to that in the spring.

AI is definitely a win. I think it could be a huge thing for the UK economy. And we definitely need a new wave to get on.

Seventh is warm up. There were some good things in there, but really if we're going to see a conservative success at the next election, they're going to need some rabbits out of the hat. And I think there could be some in the spring budget, but I would hope for the best and expect the worst.

Build based on what we've got. Anything else is going to be a bonus. So there's seven words that sort of summarise the statement and the economy.

And then the four actions for you to take from that in my advice, and I'll take some questions. The first is minimum wage. If you're not already building in cost increases for your workforce and your supplier costs, especially supply chains that include, that rely on entry level labour, so people on minimum wage, just assume over the next 12 months that's going to be forced up.

So over your next 24 month budget or 12 month budget, building an increase in cost there for you and or your supply chain, I think that's going to happen. The second is tax planning. I don't think you're going to see any huge tax breaks or corporation tax come down for the wealthy.

So I would seriously be looking at what are you doing to optimise your tax planning, whether that's capital allowances, which are great in commercial property, or using your SAS, your pension, which is now unlimited, potentially looking at overseas options. For those of you that are making lots of money, especially as soon as you get into that 25% tax bracket, I would say I'm not seeing any changes any time soon. Have a look for solutions there.

Interest rates, I think the general consensus is this is the new normal. I think they're going to stay higher for longer, to use a well-used term. I don't see them coming down any time soon, unless we have a really aggressive winter, which is already built into the forecast I've shared with you.

Then finally is PD flats. If you've got single letters in your portfolio that aren't cash flowing anymore because of buy-select-mortgages now being at a rate higher than the yield, or you're looking for a new crest of a wave strategy for cash flow, which is easy, this could be a really, really good earner for you. We haven't seen the detail yet, so all I'm working on is my first draft of a business model.

As I see it, there's two strategies for this. The first is going to be build-to-rent, which will work in a certain location where you can buy a house, convert it into two flats, and then rent it out. Then the second will be build-to-sell, where you buy a house, convert it into two apartments, and you sell it.

The rule of thumb for this is reasonably straightforward. This is my anticipation. If you're going to do build-to-rent, I suspect the place where this will work is where you can...

All of this is about arbitrage. It's about being able to convert the revenue generated per square foot from a house of two apartments higher than one house. Basically, what you want to do if you're doing build-to-rent is look for areas where the price of rent per square foot for a house is significantly lower than the price per square foot for an apartment, because the house isn't going to get any bigger.

The house is going to be 1,000 square foot, whereas as a house, if it generated 100 pounds per... Well, if it generated a pound per square foot as a house, but two pounds per square foot as an apartment, that's where you get your yield arbitrage. Just by putting fire separation and another kitchen in, you can now turn that from 1,000 pounds per square foot or a pound per square foot to two pounds per square foot.

That's how it would work for rental. It's the same logic for build-to-sell. It'll only work in areas where you've got a really high price per square foot, where actually you can find an apartment that is twice, as an example, the price per square foot as a house.

You buy it at 100 pound a square foot, and then you end up, as a house, you convert it, but as an apartment, it's worth 250 pound a square foot. These are the two models that I think will probably work. Here's an example of an area that I'm familiar with.

This is where Mancore House is in Hucknall in Nottingham. It's a prime example where you're going to get that high yield, low value. You can buy a house, something like this, that rents for 750 pound a month as a house, but then on the next road, you can have a one-bed apartment that's rented at 625.

The basic logic is, if you can get two of those apartments in one of those houses, for the price you're paying for a 750 pound per square, per column of yield, you then, not exactly double it, but take it up to 1,300 pound a square foot as two apartments, but it doesn't cost you two houses' worth of capital spent. I'll show you what the numbers would look like on that. This is, again, this is first draft.

I don't know the rules yet, but this just seems logical how it would work. If you were to buy a house for a 750 pound rent roll, where's Martin? Basically, my thought is the logic for this is probably going to be, you find those houses where you've already got a staircase upstairs, downstairs is a one-bed, upstairs is a one-bed, and you were to do horizontal fire works, fire and acoustic, what would you reckon the cost would be to turn a little house like that into two apartments, so fire separation between the two and then another kitchen?

[Speaker 5] (31:41 - 32:04)

The key thing is if you're not going to split the utilities, which works if you can keep the whole lot in a portfolio and keep it as one unit, then you're going to get that cheaper parts of the country, possibly as cheap as 30,000 pounds, 30,000 to 50,000 pounds probably. Cool. Because if you want to do it properly, you could easily be 60,000, 70,000 pounds.

[Daniel Hill] (32:04 - 32:55)

Cool. Well, that's good. It's as if you've read my slides.

For those in the room, genuinely, mine didn't even know I was going to ask him about that. I was thinking, let's say it costs you 30 grand to just basically audio, acoustic and fire insulate horizontally and then another kitchen, maybe a bathroom, a bit of a refurb. If it costs you 30 grand to get an extra, remember, you've got two at 650, not two at 750, that would give you an extra 500 pounds per can a month.

That investment would be an extra 20% ROI. In theory, just on headline numbers, that looks good to me. If you could get it a bit cheaper, 25,000 pounds to carve between the two, you'd be getting, and you could get 600 pounds for the rent, you would get 24% ROI.

On face value, it just seems to work.

[Adam Goff] (32:55 - 32:58)

Plus the cost of it being empty when you do it.

[Daniel Hill] (32:58 - 33:00)

Plus the cost of it being empty, what, like council tax?

[Adam Goff] (33:01 - 33:02)

No, like all the debt.

[Daniel Hill] (33:05 - 35:12)

What, for buying it and holding it and stuff like that? Yeah, absolutely. You would have some holding costs, council tax, interest costs, just basic logic of splitting it.

What this would mean as well for your single lets is at the minute, the single let market's on its knees. It could be a couple of years before that market sorts itself out. If you've got stock that's not cash flowing, actually by putting 25, 30 grand into it, you could increase it.

You could go from making 100 quid a month to making 600 quid a month. On stocks that you own or new stock, a few questions would be, what would the finance options be? I don't know how finance would work at this point.

I would personally go for communal hot water system, so I would probably just have one boiler that does all of the hot water. That's what I do in my blocks. I have a big plant room that does water for all of the apartments, hot water as well.

Then I would have electric heating with top-up card. Each tenant's responsible or a sub-meter, but again, that's just unnecessary hassle. Just a top-up card, electric system.

Again, this is what we've done on our blocks in the past. You could buy stock to do this, or you could look at your existing portfolio. Those single lets that you don't want to sell, but equally they're not cash flowing, could you split it into a couple of apartments?

We won't know until we've got the detail where the opportunity is, but I guarantee you there'll be a sweet spot. Those of you that do service accommodation, or you do HMOs, or you do development, when you look at a deal, you know it's a deal. You look at a house and you're like, this is exactly what I want to convert into a six-bed HMO, or this apartment with this access, et cetera, is perfect for service accommodation.

Those of you that go into this strategy, you'll find that sweet spot. You'll know that in your investment area, this postcode, that property, that staircase, that entrance, you'll get to a point where you know exactly where this works. If you do it in the first year rather than the third year, you can probably go and do these back to back to back, absolutely clear up, make a load of money if you know how it works.

Any questions? Mark. I've got a mic for Mark at the back.

[Speaker 8] (35:16 - 35:35)

It's just a point on that, Dan. I think for anybody looking for those properties, you'd need a minimum of 80 square metres. If you're going on the minimum space standards of 37, plus a bit of communal space to go in, it's like a minimum 80 square metres for finding the properties to convert into the two flats.

[Daniel Hill] (35:35 - 35:44)

Yeah, great point. For one-bed apartments, the minimum space is 37 square metres, plus you're getting these circulation areas, corridors, things like that.

[Adam Goff] (35:44 - 36:13)

I was just looking at one of mine. And like people who've got bigger HMOs, like 2,000 square feet, maybe with even scope to extend, it could get you over the six-bedroom ceiling of sui generis. So the problem you've got is you can only get six rooms, otherwise it's sui generis, and therefore it can never be turned back into a single let.

But actually, if you can turn a six-bed HMO into a two, four-bed flat, you've now got eight beds on the same building.

[Daniel Hill] (36:13 - 36:16)

Yeah, I suspect, I mean, that sounds amazing.

[Adam Goff] (36:16 - 36:21)

That sounds like great news. I've literally got my floor plan up, and I'm getting excited.

[Daniel Hill] (36:21 - 36:53)

What you normally find with these, it may well work. Yeah, you could have two, four-bed apartments. Exactly.

What you normally find is certain restrictions, like you can't use, for example, if you did B1 to C3, they often say you can't then convert it into HMO, but the amount of people who went out in B1, C3 times, and went from C3 to C4, we did it with a laundrette in Dunstable, it's like, that's definitely the game you want to be playing. And when the detail comes out...

[Adam Goff] (36:53 - 36:54)

There's already an HMO.

[Daniel Hill] (36:58 - 37:01)

I'm just thinking it might not apply to HMOs, it's C4.

[Speaker 8] (37:01 - 37:02)

It could be just a C3.

[Daniel Hill] (37:02 - 37:21)

But we'll see. If you can play the game, that is absolutely spot on, and that's the nuances I'd be looking for. My initial thought is there'll probably be things in there that stop that, but, like the fact that at the minute your house isn't C3, it's C4, so it might need to be a C3 house.

But definitely, this is the sort of game you want to play.

[Adam Goff] (37:21 - 37:24)

Or just take the HMO licence away, and it just goes back straight away.

[Daniel Hill] (37:24 - 37:32)

Well, it's not, because C4 is over three people, if you have over three different people living in a house. It's not rented anymore. C4?

It's empty. Oh, right, sounds...

[Adam Goff] (37:32 - 37:37)

Because you have to do the work, so you get everyone out, it's empty, cancel the HMO licence, say, look, I'm not renting as an agent anymore.

[Daniel Hill] (37:38 - 37:43)

Yeah, bang him. Do a loft conversion. Single storey, wraparound.

[Adam Goff] (37:43 - 37:51)

Martin does it in six days. Get two six beds. And you get the same people back, and then just tell them, pay them to go on holiday.

[Daniel Hill] (37:52 - 37:53)

And this is, when we're talking about speed...

[Adam Goff] (37:53 - 37:54)

I heard three grand.

[Daniel Hill] (37:57 - 38:31)

When we're talking about speed of implementation and, like, playing the game, what Adam's saying there, like, literally, you hear the news, you load up your floor plans, you come back in January, and you're ready, you know. The reality is, this might be next summer before it's rolled out, and we know what it is, but that mindset that Adam's saying there is exactly what you guys want to be doing. It's like, where could this work for me?

How could it work? How can I capitalise? Because if it is worth doing, there'll be a window of six to 12 months where you can go and clean up, and then everyone reading YPN magazine, going to pin meetings, listening to my podcast will be doing it.

[Speaker 4] (38:32 - 38:35)

Good to see Simon Zucci did a webinar on it on Tuesday night.

[Daniel Hill] (38:36 - 38:36)

Excellent.

[Speaker 4] (38:36 - 39:09)

Talking about what Adam was saying about splitting it into two possible HMO flats. Fantastic. And he's looking at bringing out...

I don't know if you can pay for it, but he's looking at bringing a training on it. Perfect. I was on it, and I have two properties like Adam.

He has them in Clapham, I have them in Weybridge, and there are six beds at the moment, and they would be feasible because they're around the 2,000 square foot. So that's why I was on it.

[Daniel Hill] (39:09 - 40:47)

Amazing. I think when we get into the detail, if there's opportunities like that to really... I mean, I was thinking just as two one-bed flats, you're going to do well.

If you can really start talking about doing two, four, five, six-bed HMOs, all of a sudden, this is like absolute, absolute game changer. We'll see what it says in the detail as to what's actually going to work, but these are the things I'd encourage you to tune into. Any other questions on the budget, the economy, the PD rights before we move on?

All good? Excellent. So in order for you to capitalise on this, last month we talked about products and positioning and pricing, and we said you want to have chosen by this month the products and price points and quantities you want to use for the year ahead.

With this, we're going to do our business models, and we're going to do this in the room, and in less than 60 minutes' time, you will have your first draft completed of your business model for next year. In the boardroom yesterday, I spoke to the board about having had the privilege in the last month to live in my dream home, having built my financial fortress that pays for it all, and got everything I wanted to do. The only way that I got that, that I was sharing with them yesterday, was having a solid plan as to what I was trying to achieve, how I was trying to achieve it, and what I was going to do to get there.

And this is what a business model is. For those of you who don't have one, in 60 minutes' time, you absolutely will. And for the first time today, the man who's going to take us through it, can I get a huge round of applause please?

For Mr Joshua Keegan.

[Josh Keegan] (40:55 - 48:47)

Hello, you all right? Good day? I've been given the graveyard shift today.

Third and final session. Not only that, I'm going to get you to get all your laptops out, get your spreadsheets going, and do a lot of numbers. Are we all excited for that?

Yeah, pumped? Excited? Good.

Right, I'm going to try and make this as fun and as engaging as I can. So, advanced business modelling. That's what we're going to be doing in this session.

Most entrepreneurs, they never nail this. They write a few numbers down on a piece of paper. They get a bit excited on New Year's Day, and they come up with this plan, and they think, yeah, this is it.

I'm going to absolutely smash this out the park. It's forgotten within a month. They do another year, and they end up more broke than they were before.

More tired, more stressed, more overworked, and they don't have that profitable business to show for it. That's obviously not what it is. Does anyone want to be there?

No? Gift to pass the first test? Well, then we'll wait.

That's not what we want to be. We want to be in a place where we're super clear on what we want. Crystal clear clarity.

What we want, what we want to achieve, what the outcome is going to be, what our profitability is going to be, and exactly what our business is going to look like. So, when we get there, we cross the T's, we dot the I's, and we're not disappointed. And that's the aim of the game here, and that's what we're aiming to achieve with a business model.

Sentiment is finance-driven business, not business-driven finances. Most entrepreneurs have business-driven finances, which means they focus on making a few more sales, rebuilding the website, doing their winter hit list, and doing all this kind of stuff, which is cool, but they fundamentally ignore the backbone of the business, how the mechanics of the business works, how the economics of it actually work. And all that happens is they end up with a sloppy business that doesn't give them the profit that they actually want to achieve.

We want a finance-driven business, which is where we decide what it's going to look like, we decide what the outcome is going to be, and then we build into that outcome. And what we're going to be doing today is actually building that outcome. This is the equivalent of an architectural plans for a house.

If you want a bad house, don't create great architectural plans. If you want a house that's falling over, it's sinking into itself, it's wonky, don't do any plans. If you want an amazing house, your dream home, absolutely bespoke, the best thing you've ever seen, you're going to want to do some architectural plans.

You're going to want to do this properly, and that's what we're going to be doing today. This is what we're going to be filling out, which is basically the bulletproof business model. And by the end of the next 40, 45 minutes, 50 minutes, every single one of you will have this done.

So you're done for the year ahead, you know exactly what success is going to look like. What this is then going to become is basically a set of rules, a set of financial rules which are going to govern your behavior and govern your business. And these rules are, you know, if you follow these rules, you'll get the results.

They're like our habits. If we know, if we wake up at a certain time, we meditate in the morning, we eat clean, we drink a load of water, go to the gym three times a week, we're going to feel good. We also know if we don't do those things, we're going to feel terrible, we're going to be burnt out, we're going to be tired, we're going to be exhausted.

This is exactly the same for the business model. These are financial rules. If you follow these rules, if you stick to your minimum pricing, if you don't overspend on your overheads, if you only spend a certain amount of cash to a project every single time and if you build your business as you said you're going to be, the financials just take care of themselves.

So those of you who don't like sitting down for hours, looking at P&Ls, balance sheets, cash flow, you don't have to do that. 80% of that is done if you just follow the rules that you're going to set yourself in this session. And then rule number one, just don't break the rules.

This is going to be the hardest one for each and every one of you because you're going to sit down here, you're going to go, we know this is the price point, we're never going to sell below this price point, they're going to want to really work with a client, they're going to be screwing you down on price, you're like yeah but they're a really good client, they're a really good client and you're going to break the rules and what's going to happen is you're going to make less money as a result and you're not going to achieve what you set out to achieve. You're going to really want to do a deal that doesn't meet your criteria, it's only going to cost you a fortune and it's going to bring the rest of your performance down. So rule number one is don't break the rules and this is going to be the hardest thing for each and every one of you this year but all I can do is set them for you and we can set them together in this session, it's up to you to then stick to them and actually achieve them throughout the year.

There's going to be five elements to this and we're going to be doing this in a moment. I'm just going to take you through what these five elements are that we're going to get nailed today. So the first is products, pricing products.

So you did this last month, Dan actually took you through this where you basically decide what your products are going to be and what the pricing is. Now for example, if you have a HMO portfolio, your product is selling a room, selling a tenancy. If you have an interior design business, it'd be selling an interior design package.

If you're like Rupin, you've got a kitchen business, it'd be selling a kitchen. What do you sell and what price points do you sell them at? The next is what we call COGS.

What does COGS stand for? Well done, Kevin. Cost of Goods Sold, which is the cost of goods sold.

So every time Rupin sells another kitchen, he's going to have some cost that he incurs as a result of that sale. More wood, more labour, more fitting costs and all those different elements are actually going to allow you to fit it actually into place. Every time you get a new HMO and you let a new room, there's certain costs that you're going to incur to actually let that room to actually own that property to actually have that income coming in.

The next is your net margin, your net margin percentage. So easiest way to think about net margin is for every pound that you bring through the front door, every sale you make, every pound you bring in, what of that is left at the end for you to draw as profit? So net margin percentage, if my net margin was 50%, for every pound of revenue I make, there's 50p left for me at the bottom.

That's your net margin percentage. And generally rule of thumb for a trading business, I'd say everyone in this room should be aiming between 40-60% in that kind of net margin category, like for a really lucrative trading business. For an investment back to business, which would be rent to rent, back to back leasing, your HMO portfolios, you're probably looking for anywhere from 8-25% tend to be much lower margins because you've got the cost associated with owning the asset.

Then we're going to look at step changes and sweet spots. So bigger is not always better. Sorry, gentlemen, it is true.

There's a certain size where your business is going to actually work really well. And sometimes, often, entrepreneurs get a bit too excited and we go too big. And as a result, the business doesn't work well anywhere near as well as we'd like it to.

To find a sweet spot, there are going to be three things that are going to be in balance. First is profitability. It's going to be highly lucrative.

It's going to pay you every single month to actually own the business. The second is leverage for you as a director. So it's going to allow you to work as much or as little as you choose in or on the business.

And the third is service. It's going to offer great service level to your clients. When you find that sweet spot, those three things will always be in balance.

Businesses don't grow in a linear fashion. So what we're actually going to be doing is rather than just giving you one sweet spot, we're going to design three sweet spots that you can grow to over the next three, five, 10 years, depending on your appetite for growth. But all of these three things are actually going to be in balance.

The final point is then your overhead budget. So once you've worked out all these, the spreadsheet is going to basically tell you, well, as a result of the fact you want to earn this amount of profit, this amount of margin, do this amount of sales, you can spend five grand a month on team members or anyone you want to actually get involved in the business with you. So these are the five things we're going to work through shortly.

I'm going to get this done in the room. So we're actually going to do this together in the room. And in a moment, I'm just going to open up the model and actually just take you through it and give you like a worked example.

And yeah, I'll set you up an array on how it's actually going to work in practice. So let's do it. Oh no.

Is Adam in the room? Your laptop's logged out. This is massive, isn't it?

Is this like a 50-year-old laptop you bought here?

[Adam Goff] (48:47 - 48:52)

Size isn't everything, Josh. Oh, perfect. I'm going to get jealous.

[Josh Keegan] (48:54 - 48:56)

So, Dec, if you can switch over to the laptop, that'd be awesome.

[Adam Goff] (48:56 - 48:59)

It's the brand new Space Black, actually.

[Josh Keegan] (48:59 - 52:55)

It looks old. It looks old. So, I'm going to...

I'm going to... If everyone just bears with me before you start all getting your own open, I'm just going to take you through like a worked example to show you how this actually works. You can do it yourself, okay?

So eyes to the front, everybody that's on your laptops, please. Because I don't want to have to keep going through this and going through this. We want to make sure I've set you up correctly.

You can just smash this out of the park. So, first page, you've got your tabs down here for the different models that we've created. And on the front page, you've got a contents page.

So, this is just an easy way to navigate between the tabs. And there are a number of models we've already created. So, obviously, I'd suggest for this exercise, choose one business.

Don't overcomplicate it. Choose one business that you want to model. And obviously, you can go away.

You can model multiple or different businesses should you want to. Sorry. There we go.

I'm back. I'm back. So, how do you zoom in out of there?

Oh, here we go. Here we go. Got it.

Got it. Here we go. So, you've got these at the top.

So, you've got a business model basic. I'm going to take you through that in a moment. That is the one that you all saw last year, but it's been upgraded.

And these are ways you can actually... I'll take you through it. For a lot of you, you'll use this model, mainly for trading businesses, if you have the trading business post-investment.

We've got a service accommodation model. We've got HMO, rent-to-rent, single-let model, back-to-back leasing. So, basically, it's like a portfolio model you can use.

We've got a letting agency, we've got a build company, we've got property development, and we've got self-storage for Richie. So, those of you that saw the post on the SERC app and requested a model, if you click on your link, like this is Tracy Abbott, you can click here, and it will take you to the page that you'll need. So, for you, Tracy, it'd be the portfolio tab.

Rupin, for you doing kitchens, you've got your... Where is it? Oh, there it is.

You use the basic business model for kitchens. You click on that one. So, yeah, if you requested one on the SERC app, if you were quick enough to do that, we've built out what you need within there.

Obviously, Richie, you've got your bespoke self-storage in there as well. So, you can go through, click on the correct one that's going to be for you, or select the right business model. That's going to be the first kind of test, to choose the right one.

And before you do that, if anyone's not clear, like when you've got your laptops out, you've got to download, have a look. You're not going to put your hand up, and I'll come over, and I'll tell you the one to use based on your business. So, choose a new business you're going to model.

I'm just going to fill one out then for you in practice. So, this is like the business model basic that we can use. And the...

This is like the whole thing. So, this is all we're doing. Now, I'm only going to say this once.

And if anybody puts their hand up, because they've not followed this instruction, and they've broken their spreadsheet, there's a get up and give back fine. You only write in the yellow cells. Okay?

You only edit the yellow cells. Gray cells should not be touched. Understood?

Yeah, everyone clear? Cool. Yeah, that's right, John.

Save your own copy, and then only write in the yellow cells. So, let's take you through then. Who wants...

Rupin, should we do your kitchen business? Yeah, we'll do, yeah. Do you want to do your kitchen business, Rupin?

Are you happy to do that? So, firstly, we've got multiple products we can actually add on there. The products being like the different product streams that you can add into there.

So, what's a product you would sell, assuming kitchens? What's that? Yeah, so you sell kitchen.

Okay, cool. So, kitchen standard would be three and a half. And let's say, Rupin, I'm just going to make it add a few more bits in there, so we can see how this works.

So, let's say you also started doing a few bathrooms. Is that okay? You're doing them already?

And then... What else do you want to do? Maybe you do...

What else do you want to sell?

[Speaker 12] (52:56 - 52:57)

Let's do granite worktops.

[Josh Keegan] (52:58 - 1:00:13)

Granite worktops, love it. Okay, I'll just put cool worktops. I don't know how to spell granite.

Cool. Worktops. And then we'll say they're 750 quid.

Cool, so those are your three products. What, is that cheap? It's just, you specialise in small ones though, don't you?

Yeah, look, it's small. Cool, so then what we're going to do is go, right, products and pricing. These are our three products.

Rupin's going to sell, on average, throughout the year, kitchens at 3,500 pounds. Now, he might sell some kitchens for 5,500 quid. He might sell them for 1,500.

What we're going to do is make it simple. What are we aiming for? What's like our minimum price that we're aiming for here?

And the same for the rest. Now, what we're going to do is go into COGS, cost of goods sold. So, every time Rupin sells a kitchen, let's say it costs him 50%.

So, let's say for the labour to install it, you know, buying it from the supplier, taking the delivery, etc. It costs 50% of what he sells it for. So, we're going to fit a 1,750 here.

Let's say he makes a bit more money on bathrooms. It costs him, say, 33%. So, I'm going to put 500 pounds in here.

And let's say worktops. He's really high margin. It costs him 100 quid to buy it.

And he's knocking up to 750. So, basically, it's just the cost. So, basically, the raw materials.

For me, I sell financial consultancy. So, my cost would be the cost of my bookkeepers, my finance managers, my FDs. It would be labour that goes into it.

Whatever cost incurred, so you're selling an additional product, is what's going to go in here. What this is then going to kick out is it's going to give you a gross profit. What's gross profit?

The profitability of your product? Yeah. Profitability of your product.

And then within there, we've got the profitability of each product. And then you've got the gross margins in there as well. And then what we're going to do is give it a target net margin.

So, Rupin's quite ambitious. You know, most kitchen companies make 15%. He wants to make 35%, for example, because he thinks that's a really good margin to get for.

So, he's going to put in a target in there. Job done on this side. You know, there wasn't much to do.

So, what we're going to do is we're going to move over here. Step changes and sweet spots. So, right, how many...

We're just going to... You've got basically three sweet spots here. We're just going to focus on the first one for now.

So, like Rupin. Remember, this is where you want to get to. So, Rupin, by the end of the year, I want to sell, right, one kitchen a month.

I want to sell two bathrooms a month. And I want to sell five granite worktops a month. That's what we're going to do.

All of these inputs are monthly. Okay, they're not annual, they're monthly. So, you're going to put that in there.

What this is then going to do, it's going to give you the sales value for all of those based on what you've put in over here. It's going to give you your total sales. It's going to give you your cost of goods sold.

It's going to give you gross margin. It's basically to kick out all your numbers. And basically, assuming Rupin sold one kitchen a month, two bathrooms a month, and five granite worktops a month, he would every month have a net profit of about three and a half grand.

End of the month, net profit of three and a half grand. Now, that gives you basically the profitability figure. And that theoretically would be what you'd be able to draw, you know, after tax.

That's a starting point. And Rupin might say, well, actually, you know what, Josh? I wouldn't, I'm not going to have every three and a half grand a month.

I'm going to sell more kitchens. So, I'm going to sell two kitchens a month. And I'm actually going to increase our price to 3997 for each kitchen.

And, you know, I'm selling granite worktops way at the price here. I'm actually going to push that up to 2,500 pounds. And you can start playing around with this stuff.

And actually, I'm going to sell four bathrooms. We'll do a marketing campaign. You get to a point where you go, actually, yeah, I'd take nine grand a month for this business.

That's cool. I think I can achieve that with, you know, what we've done so far. I think we could get to that point.

I think our clients would be happy. I think we could do a good job. That sounds about right.

And then what we've added is you've got an overhead budget here. So, Rupin could spend 11 grand to maintain the net margin at 35%. And he could basically spend 11 grand a month on people, on team, on back office, on finance, on zero, on whatever.

And what we've added is there's a little button down here, like a little plus. So, you click that little plus. And then essentially, you can allocate your overhead.

So, Rupin, a little button on the left down here. Can you see it? A little plus.

It's basically like hidden cells. So, you press the little button. And then you can start playing around with it and go, right, well, I know I'm going to pay for zero.

That's 26 pounds. Insurance is 100 pounds. I'm going to get a virtual assistant to do some admin for me.

It's going to be 350 pounds. Asana, I'm going to get upgraded to Asana Premium. It's 100 quid.

We need two terabytes on Google Drive, 84 pounds. I need someone in the back office to do some stuff for me. I need three kitchen fitters on my books.

And you just start basically putting some numbers in here. I'm going to get over-subscribed to do my marketing. It's probably like 10,000 pounds a month.

I'm going to get some commission. Few commissions and stuff in there. So, that's 600 pounds.

I'm going to start. You can get to the place where you go, right, I've done all that. I've still got 461 pounds to allocate.

And you could go, well, I don't need to allocate that. Or you could think, well, what else do we need? You could just put like other into here.

Go, right, I'm just going to put another cost in there. Remember, whenever we do this stuff, there's always things we don't think of that come out of the woodwork. So, it's always good to have another line.

So, what we've then done is we've allocated our overheads. So, we've basically got nothing left to allocate. We've allocated our overheads.

I'm just going to hide that again. Basically, that's it. We've done it.

So, now we know, if you think about tangible targets, Rupert knows he needs to sell two kitchens a month, four bathrooms a month, five worktops a year. He knows he's going to sell them at 3997 for a kitchen, 1,500 for a bathroom. He knows what his cost of goods sold are.

He knows what his target margin for the business is. And he's allocated all his overheads. And he knows exactly how he's going to spend every penny of overheads he can spend when he gets to this point.

Done. That's your business model. And then the next step, and what I'd encourage you guys, if you've never really done this before, although you all have, because we did it last year on the program advance, but if you're still not comfortable with this, you can then start thinking, right, well, I'm going to do that this year.

Two years later or the year after, well, I think, you know, what's the next sweet spot? Two kitchens a month. Let's go to five.

Let's go to 10 bathrooms a month. And I think we can get to 15 worktops a month. And you can start playing around like the different levels which this is going to work.

Obviously, that's a very, very healthy profit down there. And then if you want to, you can allocate your overheads when you've got a bigger business. You can start allocating that in there.

Everyone clear? We're going to get started. And what I'm going to encourage everyone to do is to get your laptops out, find the link which is in the vault, and it's also being WhatsAppped over to you so you can actually get it in there.

And then remember, what we're going to do is we're going to do this in silence if that's okay. If you have a question, please put your hand up. Myself, Dan or Adam will actually come and we'll help you.

The first question is probably going to be, which template do I use? And if anyone's not sure which template you use, once you've had a quick look at the templates, put your hand up and I'll be over straight away to let you know. Okay, put some music on please.

Yeah, okay, we need some questions before we start.

[Daniel Hill] (1:00:21 - 1:00:24)

Hey, Josh, where would you put your own time?

[Josh Keegan] (1:00:24 - 1:00:41)

Because that's a cost for us as a business. If you're doing this properly, you probably put yourself like down as a, in your overheads as a drawing. Just put yourself down as like, I'm going to pay myself this to run this business.

So it's part of your overhead allocation. That's what I would do. Michael's here I think as well.

[Speaker 11] (1:00:42 - 1:00:45)

So how do you decide on your net profit margin?

[Josh Keegan] (1:00:47 - 1:01:05)

You decide your net profit margin, but what are you going to do for your HMO business? I mean, I'll probably look at what I've been performing out already. And I'll probably look at, well, what's a good margin for HMO portfolio?

I can tell you I've seen behind the scenes, a hundred of them, hundreds of them. It's like 15 to 25% is a good place for HMO portfolio.

[Speaker 11] (1:01:05 - 1:01:08)

So why would I go for 15% over say 25%?

[Josh Keegan] (1:01:08 - 1:01:19)

What you can do, put in 25%. And then see what overhead allocation it's giving you. So if it's giving you 25%, you've literally got 200 quid to spend on your support office.

[Speaker 11] (1:01:19 - 1:01:20)

It's probably not a sweet spot. It's not going to work.

[Josh Keegan] (1:01:20 - 1:01:49)

So you need to grow the business so that you've got more overhead or you need to go, well, actually, I'm going to reduce my margin and give myself more allocation. You can make, people can make amazing money and amazing margins by doing all the work themselves. But if you're actually a proper business, we're going to have to be realistic with our margins, give ourselves overhead allocation to actually manage it.

Thank you. I don't know, I refuse to answer, I refuse to answer any questions from the audience. Go ahead, there you go, microphone, cool.

[Speaker 9] (1:01:49 - 1:01:57)

They asked me, so we looked at margin one thing, but we're formally looking at returning investment and returning capital employee.

[Speaker 12] (1:01:57 - 1:01:57)

Yeah.

[Speaker 9] (1:01:58 - 1:02:03)

Because that, you could have, that will actually give return. It's an investment business rather than a trading business.

[Josh Keegan] (1:02:03 - 1:02:11)

Yeah, fair play, yeah, absolutely. I'll go then. No, no, it's a good point.

Simon? Sorry, he's got one, he's got a mic ready.

[Speaker 7] (1:02:11 - 1:02:12)

I'm ladies first.

[Speaker 6] (1:02:12 - 1:02:19)

Go on, age before beauty. Before you edit it, but I've just downloaded your spreadsheet and I know how we're in his kitchen.

[Josh Keegan] (1:02:20 - 1:02:27)

Oh, that's okay. I'm sure he doesn't mind. Just delete the, just delete the numbers.

I can change it in a second. Just delete the numbers. Go on, Simon.

[Speaker 7] (1:02:27 - 1:02:38)

So I just wanted to ask, on the little plus that you did, which came to left to allocate, do you pull out the figures from your cash flow forecast, which we've previously done?

[Josh Keegan] (1:02:39 - 1:02:40)

When we did last year?

[Speaker 7] (1:02:41 - 1:02:50)

Yeah. Yeah, you could do that, yeah, yeah. So I think...

Yeah, well, I suppose what the question is, are they projected ones or are they actual?

[Josh Keegan] (1:02:50 - 1:03:16)

So the business model is answering the question, where are you going? So the business model is all about the end result. This is all about targets.

So where are we heading towards? So I think you would look at what you've done historically, but if you're going to triple the amount of drone sales you're going to do... There's a template for you, by the way.

If you're going to triple the amount of drone sales you're going to do, then you probably look at your overheads and go, well, actually, I think we're going to need two more people in the office. I think we need X, Y, Z on top. So you look at historic and then build it forward.

[Speaker 7] (1:03:16 - 1:03:17)

Thanks.

[Josh Keegan] (1:03:18 - 1:03:23)

Right, any more questions before we kick off? Yeah, one more from Suzanne. We'll do two on this table and then we'll dive into it if that's okay.

[Speaker 6] (1:03:28 - 1:03:43)

Thank you. So I'm starting basically a new consultancy business. So there's upfront costs that are not going to be necessarily ongoing, but should I add those in or ignore that for this purpose?

[Josh Keegan] (1:03:43 - 1:03:54)

I would probably ignore it. That would be more of a cash item for me, I'd say. It's like when you're buying a property, we're not going to put the refurbs in.

I'd say, like, we're going for the outcome, like what we're trying to get to in terms of a cash flow forecast. Yeah, final question.

[Speaker 10] (1:03:56 - 1:04:07)

I'm trying to look at products and different pricing. So we don't really work on a fixed fee. So it's more kind of hourly rate for different services.

So how would I put that in?

[Josh Keegan] (1:04:07 - 1:04:17)

I actually purposely didn't build you an hourly rate one because I feel like you should be working on a product basis. But if that doesn't work, I'll come and speak to you. I'll see if I can tweak one of the models to make it work for the hourly rate.

[Speaker 10] (1:04:17 - 1:04:19)

Okay, all right, thanks. Cool.

[Josh Keegan] (1:04:21 - 1:20:00)

Right, raise your hand. Quiet now, raise your hand if you need any help at all. Okay.

Use the portfolio tab. Back to back, Lisa, you do it on the portfolio tab. Please don't talk to yourselves.

Unless you're working together or you're asking questions, please keep quiet.

[Speaker 8] (1:23:39 - 1:23:40)

Julian.

[Josh Keegan] (1:28:47 - 1:35:35)

Jens. Who's cracked this? Who's got it done?

Two of you, three, four, five. Who's managed to get there? Who's like 80% there?

Yeah, cool. So who thinks that if they go away now and they spend a few hours on this and their own time, they'll be able to finish this off? Everybody, is that everybody?

Sarah, no? Few days, okay, cool. I guess the answer is, have we achieved what we set out to achieve and that you understand this and you feel you can get this nailed before Christmas?

Who thinks they can't? Steve, yeah, cool. I'll help you versus Steve.

If you're struggling, honestly, post in the Circle app, tag me in it and I'll come in. I'll help you the best I possibly can. A few top tips to finish.

So the first is populate, then play. So what I really would recommend you do now is you basically fill this out the best you can, see what the numbers look like and then just start playing around with it, start toying around with it. And this is like the magic of finance.

It's like you've got this model, you can start going, what if we just increase our prices by 500 quid or 100 pounds or 50 pounds? What was if we reduced our cost of goods sold by a small amount? What was if we just reduced our overheads or went for a slightly higher margin?

What was if we just grew the business by an extra 50%? Start to play around with what things look like and really get a feel for it. And this is part of the magic of this work.

The next is build it backwards. So I didn't know people didn't do this and I've only just started realizing this when you have these conversations. But the way I've always built my businesses, I've gone, well, what do I want to do next year?

Well, I want to buy two properties, I want to pay down some debt, I want to go on holidays four times a week and I want to draw every month the same amount of money as my bank account. So I know what that number is. Then I go, well, okay, what's the output?

Well, I just want my business to kick out that after tax. And then, so how do I build my business model? Well, I just work it back and go, well, that's the profit I want.

How am I going to get to that profit with all these variables that we've just said? How many products am I going to sell? What price is?

What are my overheads? I was chatting to Adam about it the other day and he said that's what he's thinking about doing. It's like he's building it backwards.

He's got a certain financial target and he's just building his business and his life backwards to achieve that. So it's not about coming and going, well, we did 100 grand of sales last year, I want to double it this year. Honestly, it's just a waste of time.

That's your ego setting that goal. What do you actually want to achieve and make this model actually work for you? So it's kicking out what you actually want based on your financial fortress, financial independence, and all the things you need to achieve that longer term goal.

The next is find a sweet spot. Three variables need to be in balance when you've got a great sweet spot. When you've got this sweet spot, your business is going to feel amazing.

It's going to kick up more profit than you can ever imagine. And the best part of it is, is you're going to have to do less work than you could ever possibly imagine. This is where you're in a place where you're highly profitable, you're highly leveraged, you can choose the hours you want to put into this, and you've got amazing service.

So your customers love you and the business just feels amazing. This is where Shiv is, he comes every month, he's on cloud nine, absolutely loving his life, happier than anything. That's because he's in this sweet spot and he's been there for a long time.

So find a sweet spot, don't get too tempted to overshoot this because that's where people end up, it's a false economy, they think they're going to double in size and be better and be happier and have more balance and have more money. It's just a total false economy. Finding a sweet spot, small business, big profit is what it's all about.

More products, more money. And I really would encourage you guys to start thinking about getting a bit more strategic with this. I've seen behind the scenes now of literally hundreds of zero accounts and I've seen the companies that are literally making a loss and companies that are making crazy amounts of profit.

And the one thing I've learned is very rarely about that core product. So for example, when I own the vetting agency, you make so little money out of managing properties. The actual management fee is not where you make the money, you make the money in the tenant fines and the maintenance.

That's what all the money is, that's where the margin is. Who's done their Blue Crest this month? A few of you?

Did you buy the upgraded vitamin package, the cancer packages when you're in the room? Yeah, so did I. Walked in, did my test, thought oh great.

She was like, do you want the vitamin upgrades? And I was like, what do you mean? She basically told me if I don't have them, I probably will die.

And she's like, so there are extra tests? She said, no, no, we've already got the information. It's just paying to get it released onto your report.

I was like, okay, that probably costs 10, 15 pounds. 150 pounds for three vitamin tests. That is where the money is.

There's no additional cost. So for you guys that are building these businesses, start to think, it's not always about bigger, but what additional product streams and revenue streams can you introduce to get the margin that you want to achieve? And finally, the acid test.

What this is, is the acid test. If you're plugging numbers into this, if you're plugging your prices into this, if you are plugging your cost of goods sold, your target margin, and you just fundamentally can't seem to make it work, don't just think, oh, that's good. We'll just work it out as we go.

It'll be fine. We'll work out when we get there. This is the test.

If you can't make this model work, there's a good chance that the business won't work. So don't spend two or three years building a business. Don't you spend five minutes building a business that fundamentally is broken and you'll never achieve what you want to achieve from it.

If you can't get this to work or you're being overly optimistic to actually make it work, you're just going to be disappointed. So take a moment, take a breath, take a step back and really think what you're going to do next year because you've still got time to consider it and change it. A few resources to support.

So I'd recommend this podcast, one of my podcasts, Episode 9, New Year, New Forecast, because this is the first protocol. We're designing where we want to get to and before the start of the new financial year in April, you're also going to need a forecast, which is basically, if you think about today, it's been where are we going? The next question is, how do we get there?

So it's a step-by-step journey to get yourself from 10 to 500 HMO rooms. It's a step-by-step journey to go from five clients to 30 clients. How are you actually going to get them?

What's the roadmap that you're going to follow? The ACID test. We've got this online.

We've actually revamped the ACID test to give even more insight and see people's businesses. And I'm going to, there's some brochure at the back of the room, Bianca will hand some out, but it's the ACID test 3.0. It's a brand new, like fundamentally leveled up ACID test, bespoke report on your business to tell you all the pitfalls, all the things you need to think about when you're going into the new financial year to have your best year on record. So take that.

That's everything. I hope you got some value out of that today, ladies and gents. This is, yeah, we got some value, good.

This is difficult stuff and it's not necessarily the fun stuff, but it's like the stuff that's actually going to make you some money this year. We all want to make money. We all want to have businesses we can be proud of.

We all want to be in a place where we're financially independent, financially stable, and like the thing that I've shared with you today, that is it. You need to get that right, get that nailed, and if you just go ahead and do what you said you're going to do and turn these into the financial rules to run your business, you'll have a very, very successful year. Right, that's all for me.

Thank you very much. Cheers.

[Adam Goff] (1:35:41 - 1:46:38)

Nicely done. Merry Christmas. It's brand spankers.

It's absolutely brand spankers. I've never seen so many property entrepreneurs be so keen to dive into the numbers. I literally, my eyes were deceiving me.

It's amazing. It's clarity, isn't it? It's great.

I'll just finish with that comment that Josh made about working backwards. So I've got this target now, I want to build these houses in Bali. So I'm like, right, I've got a cash target that I need to hit to build and it's like, how am I going to generate that money?

Work it back. That's a really nice way, I think, to get motivated and crack on. Right, we're going to just run through what you need to know before we go into the next workshop.

So just a reminder, if you want to grab one of the last Supper Club spots, talk to Bianca on the way out. She'll send you the link. You can secure your spot.

Homework. Homework. Now, I've had a bit of a change of heart because I think you've all done pretty well today.

Haven't you done well today? Yeah. Bit harsh on you, haven't I?

But I just want to give you a little pat on the back, you know, just say, well done. It's been really good. I am going to give you a little bit of advanced warning about what the stand-up sit-down is going to be next month.

Okay, and it's the new, booking the New Year's Eve party. Bless you. So you need to book something to signify the end of the winter hit list.

Right, that's what you need to do, even if it's with yourself and it's a nice little spa break, something like that. Okay, so that's what you need to do. So have I given everyone fair warning?

Good stuff. Okay, so the homework. So we've obviously collated it all at the back and you've got your new checklist of high-level things you've got to get done.

These are the things that are going to help you get the clarity, but this is what you've got to do. December game changes, done. January game changes, last.

When did we do the January game changes? Last Friday of the month, exactly. So whatever that is in January.

Setting your handful of habits and then tangible targets. Making sure you've got those for every objective, for your business and for yourself. Obviously, you've got to do your strategy day presentation.

Who liked the new deck? Yes, that's really exciting to do that. It's going to be, in a way, harder because it's going to have to be tangible.

So for those old dogs who've been around the track a number of times, you're going to have to do some more work on this. I'm looking forward to working with everyone on the mastermind over the weekend. Your winter hit list should be live.

You finish your business model and get your affirmation board ordered before the 10th of December. Have it ready for you in January. Join the Santa smash.

Join Shiv. 20-day, one-day challenge. Have a real fly into Christmas.

Just talking about a handful of habits. So obviously, I've already set these on the program. We already set them.

Sarah shared something which I thought was incredibly useful, which I want to share with everybody, which is the Habit Tracker app. Who here has used this app already? I've really enjoyed this app, to be honest.

You can put in your handful of habits. So for me, it's prime time, it's portion control, burning some calories, steps, going to the gym, etc. Shutting down the Mac.

Do you remember that? Clearing up the Mac, shutting it down, and no nail biting. So I did that last year, but occasionally, I just really want to bed it in.

I just find myself biting my nails every now and again. Normally when Josh is on stage. So I put these in my Habit Tracker and I can have times for them as well.

Now, I have no notifications on my phone except for the Community app and my personal WhatsApp. So when it flashes up, it's like shut down the Mac at 4.30, 5 p.m. We normally start work pretty early. Oh, great.

Yeah, that's a nice reminder. 2 p.m., burn calories. If I haven't been for a walk by 2 p.m., now's the time. I really like it. I think it's fantastic. You can also build it out if you want to start putting in things like your game of four quarters work.

I understand you get the premium version, which I haven't tested, which Sarah does. It's like a six quid. Six quid.

All right, big nuts. A lifetime of it. Lifetime?

Oh, that's very nice. So you can actually start putting in your, if you like this, you can build it out and you can start ticking off your daily actions, your weekly tasks. If you want to put your game of four quarters work in, I personally obviously would suggest using the book, but also for that accountability on your phone, it's quite nice.

So the affirmation board I've already said. 10th of December, get it in the diary, put it on your action list. What further reading are we going to set you this month?

So you've got quite a long month. You've got six weeks or so of time to really move the needle, get some rest, have a great Christmas break. Enjoy the fruits of your labour.

Enjoy the time with your family. Start the winter hit list. Get into some nice content.

The podcast we've got for you at the back of the book. We've done one for wealth, one for health, and one for life by design. So the 10 layers of wealth, which Dan and I designed last year, which is your roadmap to being a multimillionaire basically.

And it starts off with paying down expensive debt. And you go up the different levels. That is a great reminder for anyone, no matter where you are on the tree.

Firing up the flywheel, the difference between us and everybody else, getting things going, understanding that if you do get a bit off the rails at Christmas, there's actually a blueprint for getting back on the rails. I'm not going to go into it now, but we all know that it's going to get a lot worse before it gets a lot better. The analogy of the first three times you go to the gym, you actually look worse, more bloated, fatter, redder than you did when you started.

But once you go through that initial pain, things start to get better. You get momentum, the flywheel's up and running. So that'll be a good motivation for you.

And who likes this chap, Mo Gordat? Is that how you pronounce his name? Gordat?

Gordat? Yeah? Gordat?

Yeah, Solve for Happy. Who's read Solve for Happy? We were talking about this last night in Mastermind.

Diary of a CEO podcast. This guy is, to be honest, I wasn't big on his book. It was very steely for me.

But he's getting a lot of attention. He's the man of the moment. And episode 101 of Diary of a CEO is well worth a listen.

So they're nice and easy. They're podcasts. So loads of content for you there.

And probably a final one as well is a re-release of my Christmas gift to you. So if you remember, our invitation was for you to sum up your year in one word. If you had to think back to your year in one word, potentially think forward to your year in one word, what would that be?

Well, this is a re-release filmed with Guillaume. Is that right? So it's a podcast filmed with Guillaume.

It's going to be released on Boxing Day. So you can get that in your diaries. Nice little reminder.

Download that. Have those notifications on for your podcast. And you've got some more content.

So loads of good content. Yes? Good stuff.

21-day challenge. Shiv is the man. He's gone.

But he says he's going to be all over it on Monday morning. So get involved in the app. Get it going.

Execute like crazy. Go into Christmas loving life with the Santa smash. And in terms of midweek mentoring, any questions on the Santa smash, by the way?

What do you mean no one knows what it is? I explained it earlier. Were you half asleep?

Your 10 game changes. So it's an execution framework to make sure you get it done before Christmas. So you'll set your challenge, your 10 game changes, the things you're going to do to clear your desk, the big needles to move forward.

And then you're going to have a check-in. It's like the buddy up as a team. So if you want to join that, get involved.

It's basically a chance to put your head on the block and actually execute over Christmas. Make sure you don't have too many beers, too many mince pies and start taking half days. All right?

Midweek mentoring. So this week we've got Winter Hit List. Okay, so we've got John Woodman, board member, doing the Winter Hit List for us on the 6th of December.

Dan is going to be hosting the mid-month mentoring on the 13th. Targets is Sarah. Did you want to say something about Targets?

Sarah is sharing her spreadsheet that she basically, part of the reason why she won P of the year in the summer, she's going to be sharing a blank template of that on the midweek mentoring. So that's a really nice little success formula. You've got to be there, exactly.

I like it, exactly. Be there or be square. You've tested it.

You love it, don't you? Yeah? Yeah.

First come, first serve. Exactly. There's only so many, right?

You're only going to give away 12. And the deadline is the 20th of December. So it's like, and there's pre-sales happening right now.

Akash has already had one. So we've already sold 10. Absolutely.

And Hugh, who's not here today, who won strategy day for the programme last year, because with his famous hold my pint quip, which was absolutely hilarious, he is going to be doing a midweek mentoring on the strategy day presentation. So that'd be really good to tune into on the 3rd of Jan. Get it going, get it sorted.

Happy days. If you want to book a slot for the mid-month mentoring with Dan, 15, 20 minutes with Dan as your mentor. There are three slots available.

The QR code is in the workbook. If you want to reserve it, now's your time. You want to reserve a spot?

Now's your time. It's first come first, I'm just saying. So if anyone wants to book that slot, if anyone's not booked it, not had the opportunity to do it yet, why not?

You know, like use it. I mean, goodness me, that's a really valuable thing to use. So we've got to the end of the day.

We're opening our gifts. Go on then, get some music on. Oh, good stuff.

And your cards. Please, everyone open the Christmas card.

[Speaker 12] (1:46:40 - 1:46:41)

Have we done that?

[Adam Goff] (1:46:46 - 1:46:48)

What do you think of one of the Elves on the Christmas card?

[Speaker 12] (1:46:52 - 1:46:52)

Huh?

[Daniel Hill] (1:46:55 - 1:47:01)

Yeah, I'm slightly higher, yeah. Where's the other one?

[Adam Goff] (1:47:11 - 1:52:25)

Yeah, pleasure. Okay, we'll cut the music. So guys, ladies and gents, this book, yeah, really, it was given to me as a gift from Dan last year.

What do you think he was trying to tell me? Yeah, not one of his most subtle hints, but he gave it to me, I think it was last autumn. It really changed my perspective on a lot of things.

Like sincerely. So I love the author. For those of you who are not familiar with him, he's an absolute, he's a G.

He loves, he's a stoic specialist. You could say, just love his content. His book is fantastic.

Very well thought through, a fantastic writer. This book really is what we're all about, I think, on Property Entrepreneur. The thing that our values in this room are all very similar.

And the fact that we're all prepared to wear stupid Christmas jumpers and just have a laugh and not take ourselves too seriously just says a lot about us. And so I think this book's really gonna land well for those people that haven't read it. Uh, pretty much finally, the buddy up.

So who has already made contact with their buddy? Okay, so everybody who hasn't made contact with their buddy, just put your hand up. Do you know who your buddy is?

Okay, cool. So who doesn't know who their buddy is? So Guillaume, do we know who Guillaume's buddy is, please, Bianca?

Who else, keep your hand up. Valerie, Richie, Guillaume, and Keelan. Let's get them all, are they presumably matched up?

We'll get you buddied. For those of you that have buddied already, have you confirmed when you're gonna meet up? Have check-ins, Monday, Wednesday, Friday, all done?

Fantastic. So those people that, those people that don't know, before you leave, make sure you make contact, exchange WhatsApp numbers, make it happen. Remember, with your buddies this month, you're going to be sharing your game changers.

That's the difference. The 10 game changers going in the buddy chat. Guillaume and Keelan, you got yours now?

This month's game changers. So on Monday, you check in. Guys, let's have your attention, we'll just close up.

So Monday, you've got to send your Sunday sanity to your buddy and your 10 game changers, all right? Okay, last thing, last thing before we go is I'll ask Beck to put some music on. You should have an SMS. Ladies and gents, this is a newer version of Advanced. We are still in its formative years. We really sincerely value your feedback. How have we done?

What could we do better? We love pats on the back, but we also love constructive criticism. So please take a few minutes now to think about how you found today.

Give us a score and try and give us some constructive feedback as well. Thank you very much. I really appreciate the feedback, guys and girls.

Okay, when you've done that, ladies and gents, put your phones down, please. Just to find a reminder, we're going to be opening the bar behind us. So it's Christmas, hang around, say hello, grab a drink, say goodbye, sayonara for Christmas.

We had a good day? Yes. Fantastic.

So a final round of applause for Dan, for Josh, for everyone, Bianca, thank you. Have a great Christmas. I'll see you in January.