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Conway Properties LLC

Cody Conway

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Conway Properties LLC

by

Cody J. Conway

Advisor: Jeff Amerine

**An Honors Thesis in partial fulfillment of the requirements for the degree Bachelor of
Science in Business Administration in Finance and Accounting.**

**Sam M. Walton College of Business
University of Arkansas
Fayetteville, Arkansas**

May 13, 2022

Conway Properties LLC

“The vacation you need, the memories you’ll never forget.”

Contact Info

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Website:

ConwayPropertiesLLC.com

Location:

Fayetteville, Arkansas

Social Media

Instagram & Facebook:

@ConwayPropertiesLLC

Growth Plan

2022 – 1 property

2024 – 3 properties

2025 – 5 properties

2026 – 7 properties

2027 – 10 properties

2028 – 13 properties

Entrepreneur

Cody Conway

Founder & CEO

Soon to be CPA with experience in the real estate industry and financial modeling.

Company Summary

We build/buy luxury cabins in ideal locations for our customers.

Our cabins fit the aesthetic that our customers desire. They are located near the very activities our customers are looking for. Our cabins’ amenities set us apart.

For investors, we offer large returns.

We identify and execute only the most profitable ventures. Investors simply provide capital & receive distributions.

Executive Summary

Customer Needs

People are stressed and desire vacations, but it can be hard for them to find what they are looking for. Vacationers desire an array of activities, a specific aesthetic, and a unique experience. They want a place that offers adventure AND relaxation. They want Instagram-able moments AND genuine memories. **We operate cabins with our specific target customers in mind**, ensuring that they will get exactly what they are searching for.

Investor Needs

Revenue for the short-term rental segment is projected to be just over 20 billion by 2026, and investors want in on the action. However, many potential investors are not knowledgeable enough to enter the market. They don’t know when to enter, where to enter, or how to run a short-term rental. They have lots of questions – How do I know where to invest? What happens if something breaks? Will I have the time to manage a property? How do I price it? **We do all the work; investors just provide capital.**

Product/Services

Our vacation rentals are built specifically for our target market. We have the look and the amenities that our customers desire. Our luxury modern-cabin style stays are fit with the amenities described in the competitive advantage section. We are in locations near the activities that our customers desire. For investors, we generate large returns while they sit back and enjoy the distributions from their specific venture.

Target Market

Our target market are those customers ages 25-35 years old working middle class jobs. This age range comprises over a third of AirBnB

customers. These are individuals who seek adventure in their vacations. Whether a young couple with or without kids or a group of friends, our rentals provide just what they are looking for. We specifically enter areas within driving distances of large economic hubs such as DFW.

Business Model

1. We identify opportunities to buy or build a new rental property.
2. We plan the project, locate a property manager, coordinate with an agent or builder, and secure financing.
3. We secure investor(s) and show them the project’s projected returns. A return waterfall is constructed for each deal.
4. We then execute the project. Conway Properties LLC oversees operations, but day to day activities are managed by local property management companies.
5. We then exit each investment depending on its exit strategy. Most are 5-10 year exits.

Marketing Strategy

Customers find us primarily through rental platforms (AirBnb, VRBO). Customers also find us through social media. We offer free nights to influencers in return for posts of our property. This marketing model keeps our advertising costs extremely low.

Competitive Advantage

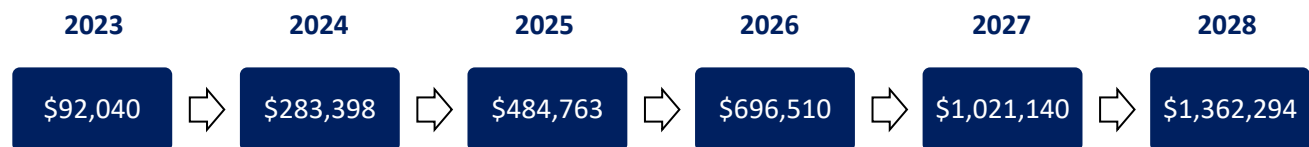
Simply put, we offer the most amenities. We customize these for each project, but most of the time included are a hot tub, fire pit, fireplace, full kitchen, and complementary equipment such as bikes or kayaks to name a few. Our rentals are modern, luxurious, and unique. They fit the modern cabin aesthetic that our target customers desire.

For investors, we offer an easy-to-understand business plan that generates high returns.

Projected Return Metrics for Each Investor (6-year Exit Strategy)

- **Total Equity Investment:** \$175,000
- **Cash on Cash Return:** 21.34% in the first year, increasing to 25.78% in the fifth year
- **Multiple of Capital:** 2.73 with a year 6 exit
- **Profit:** \$303,105
- **IRR:** 26.06%

6 Year EBITDA Projections



6 Year Cash Flow Projections for a Single Deal with Year 6 Exit

| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Total CF to Investor(s) | \$ (175,000) | \$ 37,343.27 | \$ 40,999.39 | \$ 42,339.69 | \$ 43,713.50 | \$ 45,121.66 | \$ 268,587.60 |
| Total CF to Conway LLC Owner | | \$ 19,099.04 | \$ 22,090.41 | \$ 23,187.02 | \$ 24,311.05 | \$ 25,463.18 | \$ 65,117.12 |

Conway Properties LLC

Short-Term Rentals
Wealth for Investors
Escape for Customers

The Short-Term Rental Market is Growing

- ▶ Customers are flooding the short-term rental market
- ▶ Covid-19 caused a 29% decline in bookings from 2019 to 2020
- ▶ Bookings rebounded 55% from 2020 to 2021
- ▶ Data from [lpropertymanagement.com](https://www.ipropertymanagement.com)



Money is Being Made

- ▶ According to [statista.com](https://www.statista.com), the vacation rentals segment in the U.S. is projected to reach 17.660 billion dollars in 2022
- ▶ From 2022-2026, revenue for the segment is expected to grow at a rate (CAGR) of 3.62% each year resulting in 20.359 billion by 2026

Problems for Investors:

Most people don't know how, where, or when to enter the market.

Investors follow the money

The money is in short-term rentals

But it can be overwhelming

- How do I know where to invest?
- Where will make the most money?
- How would I run the business?
- What happens if something breaks?
- Pricing?
- I don't think I have the time to manage a property...

Problems for Customers:

They want an *escape*.

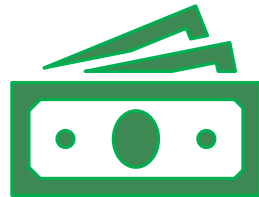
They want an *experience*.

They want *memories*.

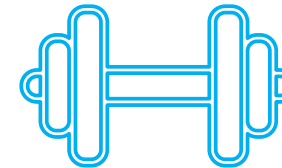
- ▶ Is there a vacation out there that offers everything I am looking for?
- ▶ Will the trip have enough activities?
- ▶ Will the stay be special?
- ▶ Is there a way to have an adventurous vacation while staying in luxury?

Conway Properties LLC Solves
Both Sets of Problems

We Bring Investors Into the Market



Investors simply provide capital, enjoy the property, and receive distributions



We do all the heavy lifting.

We find and execute the most profitable ventures

We handle everything

We'll deal with buying or building the rental, running it, and selling it

We Offer Unique, Fun, Relaxing Vacation Rentals for Customers



We identify locations with the most activities for our target customer segment



We build or buy properties with them in mind



Our stays fit the aesthetic that our customers are looking for - Modern, luxurious, unique



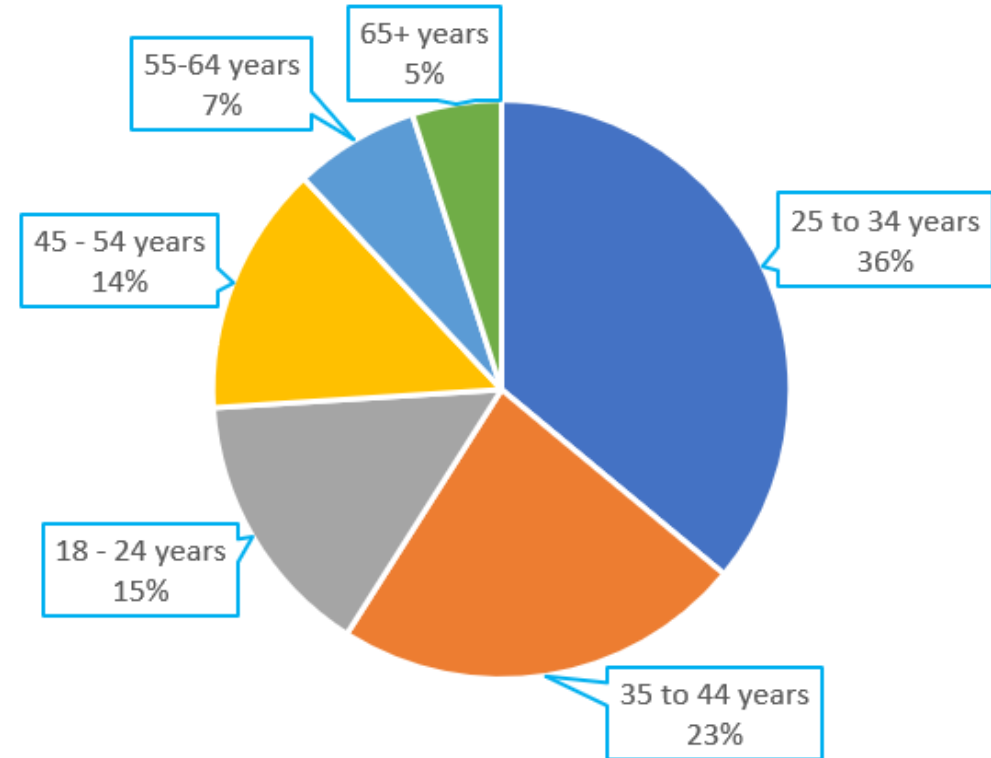
Our properties stand out with their amenities

- Hot tub
- Fire pit
- Fire place
- Full kitchen
- Complementary equipment custom to each location (bikes, kayaks, etc.)

Target Customer

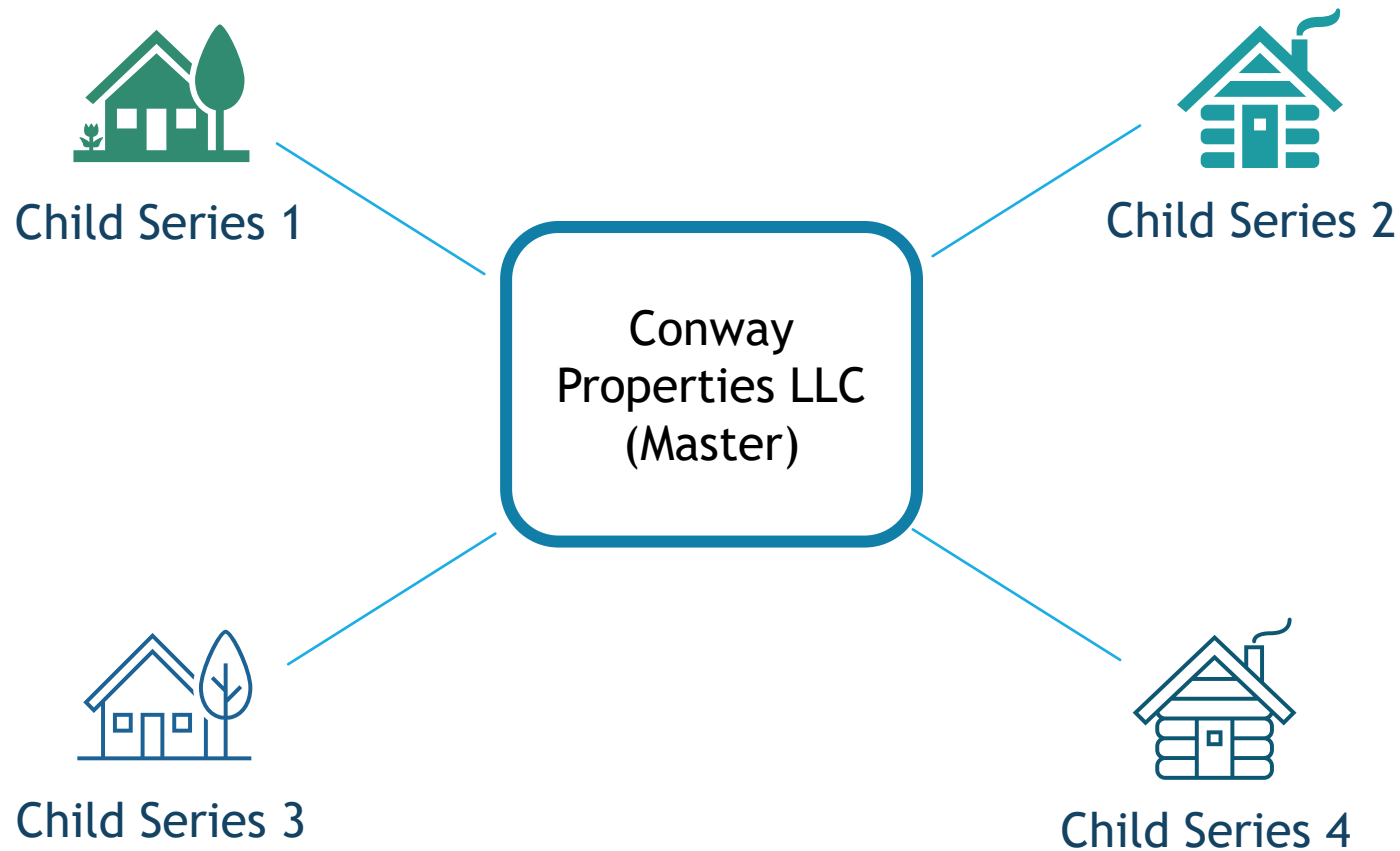
- ▶ Over a third of Airbnb users are 25-35 years old
- ▶ These are the customers who want adventure in their vacations
- ▶ They have begun working and thus have the money to pay for nicer vacations
- ▶ Allows us to target young families *and* groups of friends
- ▶ Data from businessofapps.com

AirBnB Bookings By Age Group

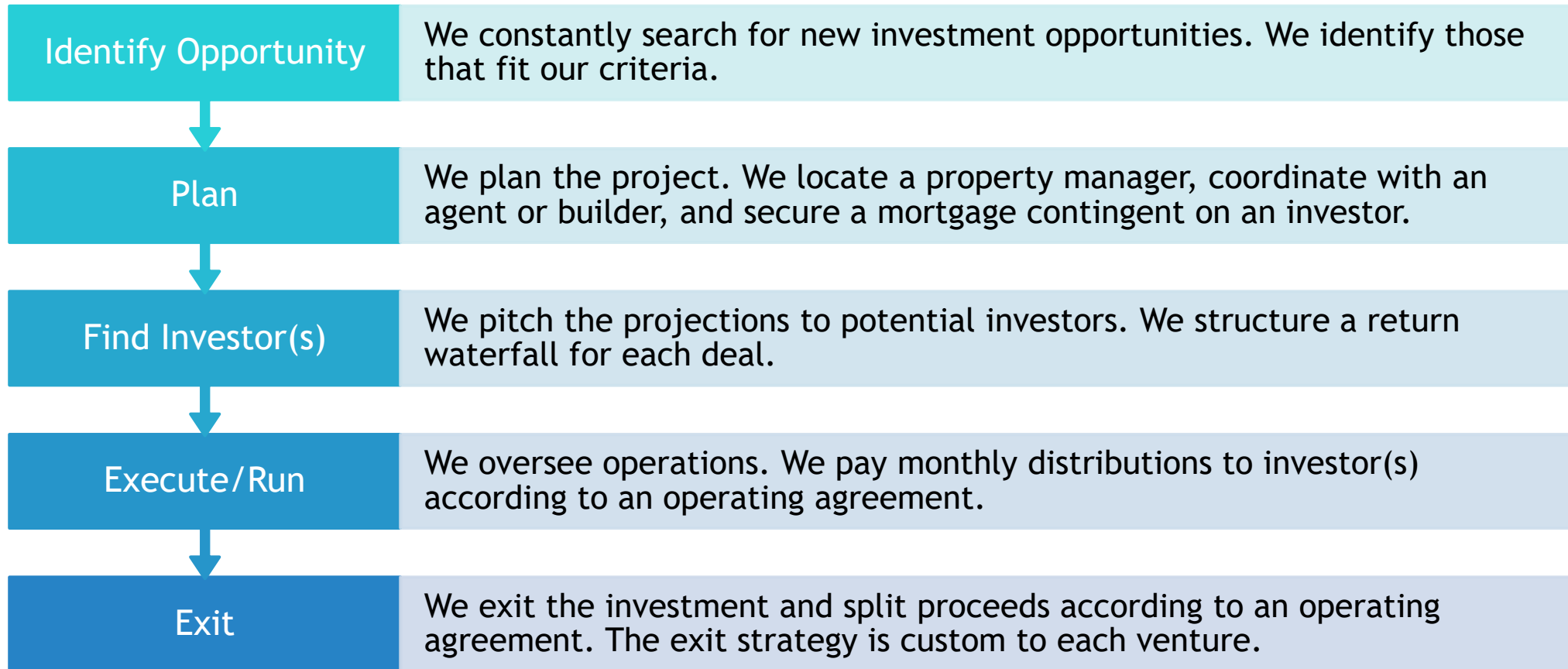


Structure of Conway Properties LLC

Conway Properties LLC is structured as a series LLC. Each property is its own “child series” falling under the umbrella of Conway Properties LLC.



Business Model



Business Model (Cont.)

- ▶ Each property will be structured as its own child series LLC. This protects us and the investor(s) from liability property to property.
- ▶ Depends on availability of financing, but we can offer a percentage of returns to another guarantor partner to utilize their balance sheet.
- ▶ Each deal will have its own operating agreement. Profit splits will follow a general structure but have the ability to adapt deal to deal.
- ▶ We will elect to be taxed as a partnership.
- ▶ Day to day operations will be overseen by Conway Properties LLC, but run through a local property management company.

Return Waterfalls and Growth Plan

Years 1-5

- Grow to 10 properties under management
- Return Waterfall for Annual Cash Flows
 - 8% simple preferred return each year
 - Remaining profit split 55% Investor(s)/45% Conway Prop.
- Return Waterfall for Sale
 - Investment amount returned
 - Remaining capital gains split 55% Investor(s)/45% Conway Prop.

Years 6-10

- Grow to 20 Properties under management
- Return Waterfall for Annual Cash Flows
 - 7% preferred return each year
 - Remaining profit split 50%/50%
- Return Waterfall for Sale
 - Investment amount returned
 - Remaining capital gains split 50%/50%

We generate
LARGE returns

We run financial models in
order to identify the most
profitable investments

Projected Return Metrics for Each Investor

Cash on Cash Return: 21.34% in first year,
increasing to 25.78% in fifth year

Multiple of Capital: 2.73 with a year 6 exit

Profit: \$303,105

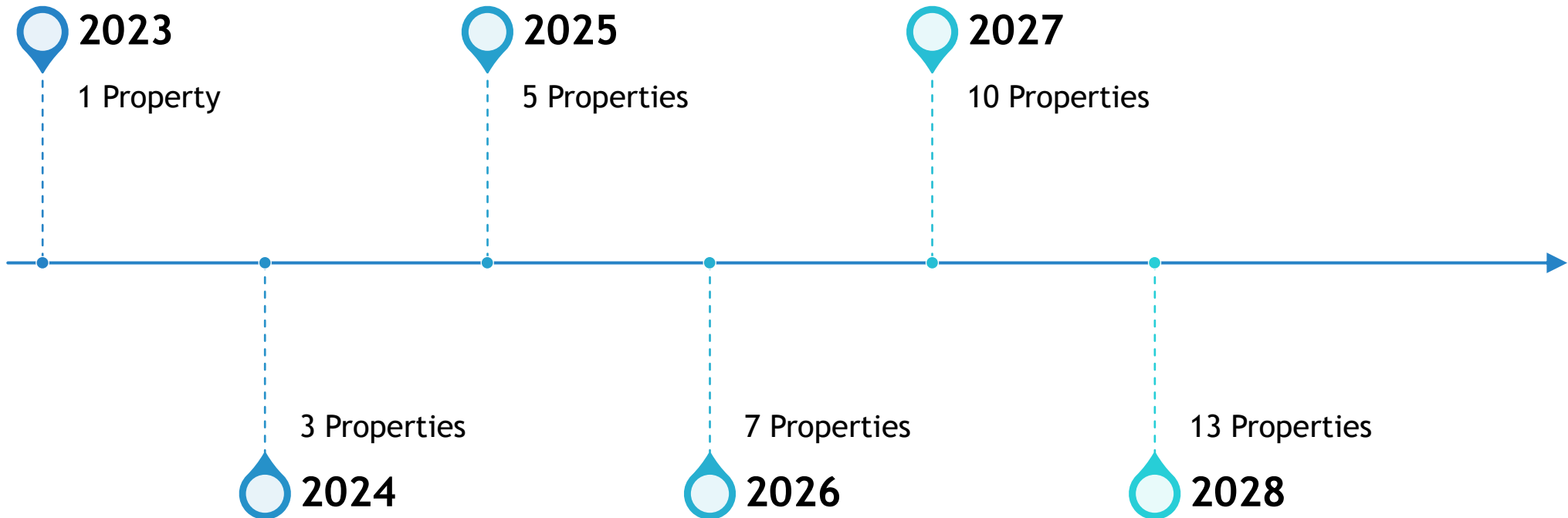
IRR: 26.06%

Projected Return Waterfall For 1 Deal

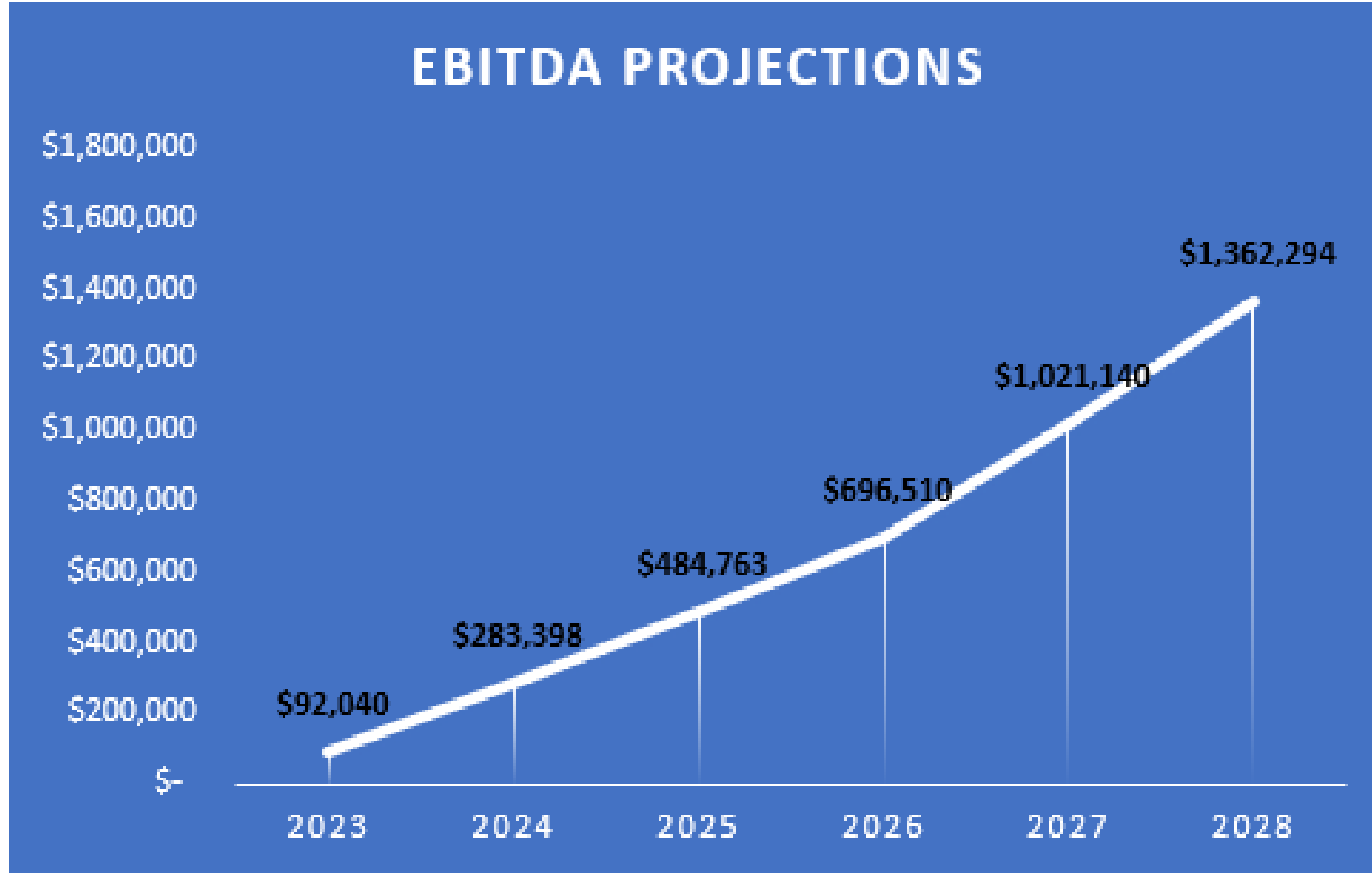
| Cash Flows Over the Life of a Project | | | | | | | |
|---------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| | EO2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| Levered Cash Flow After Reserves | \$ (175,000) | \$ 56,442 | \$ 63,090 | \$ 65,527 | \$ 68,025 | \$ 70,585 | \$ 73,209 |
| Net Sale Proceeds | | | | | | | \$ 260,496 |
| Total Cash Flow | \$ (175,000) | \$ 56,442 | \$ 63,090 | \$ 65,527 | \$ 68,025 | \$ 70,585 | \$ 333,705 |
| Pref | | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% |
| Investor Pref | | \$ 14,000.00 | \$ 14,000.00 | \$ 14,000.00 | \$ 14,000.00 | \$ 14,000.00 | \$ 14,000.00 |
| Return of Capital from Sale | | | | | | | \$ 175,000.00 |
| Remaining Profit | \$ (175,000) | \$ 42,442.31 | \$ 49,089.79 | \$ 51,526.71 | \$ 54,024.55 | \$ 56,584.84 | \$ 144,704.72 |
| Conway LLC Owner Percentage | | 45.00% | 45.00% | 45.00% | 45.00% | 45.00% | 45.00% |
| Investor Percentage | | 55.00% | 55.00% | 55.00% | 55.00% | 55.00% | 55.00% |
| Total CF to Investor(s) | \$ (175,000) | \$ 37,343.27 | \$ 40,999.39 | \$ 42,339.69 | \$ 43,713.50 | \$ 45,121.66 | \$ 268,587.60 |
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| Metrics For Investor | CoC (Year 1) | CoC (Year 5) | MOC | Profit | IRR |
|----------------------|--------------|--------------|------|---------------|--------|
| Investor A | 21.34% | 25.78% | 2.73 | \$ 303,105.11 | 26.06% |

Expansion Goals



6 Year EBITDA Projections



Marketing Strategy

- ▶ Investors located through utilizing connections, referrals, and social media
- ▶ Customers find us through rental platforms and social media
- ▶ Free nights offered to influencers in return for posts of property



Contact Information

- ▶ For More Information Contact:
 - ▶ Cody Conway, Founder and CEO
 - ▶ Phone Number: 214-732-7795
 - ▶ Email: cody.j.conway@gmail.com

Lean Canvas

Designed for:
Conway Properties LLC

Designed by:
Cody Conway

Date:
3/26/22

Version:
3

Problem

Top 3 problems for customers:

- Want an aesthetically pleasing cabin with amenities
- Stress/need to decompress
- **Bonding** with spouse, kids, family and/or friends

Top Problem for investors

- Its complicated!

Existing Alternatives

List how these problems are solved today.

- Getting outdoors and doing something active
- Travel to other AirBnBs
- Going out with friends
- Family nights

For Investors:

- Run a short-term rental on their own
- Invest in other things

Solution

Top 3 features for customers:

- Have a modern yet cabin-like aesthetic with hiking, lake, fishing, etc. in the area
- Get the therapeutic aspects of an outdoor vacation in a luxurious cabin
- Offer amenities at the cabin for building unique memories

For Investors

- We do all the leg work

Key Metrics

Key activities you measure

- Customer reviews
- Occupancy per month
- Revenue

Basically are customers approving of our product and are they enough using it?

Unique Value Proposition

Single, clear and compelling message that states why you are different and worth buying

For customers:

Adventurous vacation, luxurious stay, authentic memories

For investor:

Do no work, receive high returns. (plus easy to understand)

High-Level Concept

List your X for Y analogy (e.g. YouTube = Flickr for videos)

Customers:

- = Resort level stay but adventurous escape

Investors:

- = Real estate investing for the working man/woman

Unfair Advantage

Can't be easily copied or bought

For customers:

We offer the most amenities. Our unique differentiator is our equipment provided custom to each venture (bikes, kayaks, etc.)

For investors:

We have ability to locate most profitable deals; no work to you.

Channels

Path to customers

- AirBnb/VRBO
- Instagram influencers
- Personal and business social media followers

Customer Segments

Target Customers

Young Adults ages 25-35 w/ kids

Young adult groups of friends (20s-30s)

Specifically customers from a large economic hub within driving distance (ex. within 3 hours of DFW)

Early Adopters

List the characteristics of your ideal customers.

- Those already familiar with AirBnb/VRBO
- Young adults with steady income that are outdoor enthusiasts

Cost Structure

List your fixed and variable costs.

Customer acquisition costs

Distribution costs

Hosting

People

Etc.

Building/purchasing costs, financing costs, cleaning/maintenance, insurance, etc.

Revenue Structure

List your sources of revenue.

Revenue Model

Life Time Value

Revenue

Gross Margin

Revenue all from cabin rentals.

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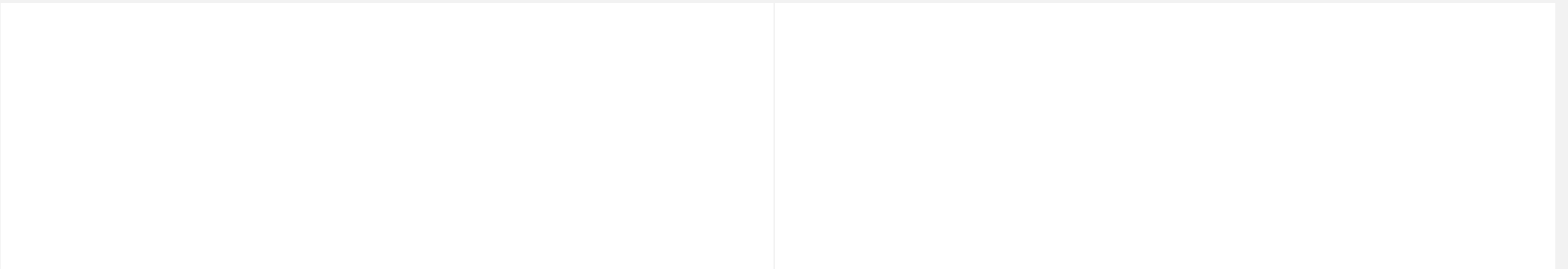
- Those already familiar with AirBnb/VRBO
- Young adults with steady income that are outdoor enthusiasts

Cost Structure

Building/purchasing costs, financing costs, cleaning/maintenance, insurance, etc.

Revenue Structure

Revenue comes from nightly rentals.



Lean Canvas is adapted from The Business Model Canvas (www.businessmodelgeneration.com/canvas). Word implementation by: Neos Chronos Limited (<https://neoschronos.com>). License: [CC BY-SA 3.0](https://creativecommons.org/licenses/by-sa/3.0/)

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