



COLAB PARTNERS · A GUIDE FOR AGENCY PRINCIPALS

Beyond the Sales Board

Reverse engineering a real business plan for your agency

WRITTEN FOR

Principals running their own real estate agency

WHAT IT COVERS

Building a plan and a cash flow from your own numbers, not a whiteboard target

READ TIME

About twenty minutes

www.colabpartners.net

A note before you start

Every figure in the worked examples in this guide is illustrative, chosen to show the method clearly. Your own commission rate, conversion rates, settlement timing and cost base will differ. Build the same model with your own numbers and the plan becomes yours, not ours.

1. Why the whiteboard number never survives January

Most agency business plans start the same way. Somebody in the room says a number: five million in GCI, or thirty percent up on last year, or “what the office down the road is doing.” It goes on the whiteboard, it goes in the plan, and everyone nods.

The trouble is that number did not come from anywhere. It was not built from the agency’s own conversion rates, its own average sale price, or its own trust account. It was picked because it sounded right, and numbers that are picked instead of built have a habit of quietly disappearing by February, once the appraisals have not turned into listings and the listings have not turned into sales.

This guide sets out the method Colab Partners uses with every client before we build a plan: reverse engineer the numbers from what is already true in the business, model the cash as well as the profit, and treat the plan as a working document you revisit, not a poster you hang on the wall.

Who this is for

Any principal who wants next year’s targets to come from the business’s own numbers rather than ambition alone, and who wants to see the cash position, not just the profit line, before committing to a growth number.

2. The reverse engineering method

The method is simple to state and easy to skip under time pressure. Start from one anchor that is already true in the business today, usually the average sale price and the commission rate the agency actually banks after any rebates or referral fees. From that anchor, build forward to a revenue per sale figure, and then build the whole funnel backward from the revenue target: sales needed, listings needed at the agency’s own list to sale conversion rate, and appraisals needed at its own appraisal to listing conversion rate.

Two disciplines make this work.

- **Never invent the top line.** The growth target is a multiple of what the funnel can actually produce this year, tested against the team’s real capacity, not a number chosen first and justified afterwards.
- **Work in the business’s own units.** GCI net of GST, on the same basis the trust account and the accountant use. A model built on a mismatched basis will look right and be wrong, usually by the

exact size of the GST.

The one question that keeps a plan honest

For every number on the page, ask: where did this come from. If the answer is “last year’s number plus a bit,” that is an assumption to flag and test, not a fact to build on.

3. Worked example: the funnel, built backward

Here is the method applied to a hypothetical agency. Every figure below is illustrative, chosen to make the arithmetic easy to follow. Substitute your own average sale price, commission rate and conversion rates and the table becomes a real plan rather than an example.

Metric	This year (actual)	Next year (target)	The read
Average sale price	\$650,000	\$650,000	Held flat. Growth is coming from activity, not from betting on the market.
Commission rate (net of GST)	2.2%	2.2%	Unchanged from this year’s trust account figures.
GCI per sale	about \$14,300	about \$14,300	The anchor figure everything else is built from.
Sales needed	140	182	A thirty percent lift, chosen because the team has room in its week, not because it is a round number.
List to sale conversion	65%	65%	Held at this year’s actual rate. A model that quietly assumes a better conversion rate is hoping, not planning.
Listings needed	215	280	Backed out from the sales target at the existing conversion rate.
Appraisal to listing conversion	40%	40%	Held flat for the same reason.
Appraisals needed	538	700	The activity number that actually has to happen every week for the target to be real.

The last row is the point of the exercise. Seven hundred appraisals a year is roughly fourteen a week across the office. That is a number a principal can look at on a Monday morning and know immediately whether it is on track, in a way that “thirty percent up on last year” never was.

Where this goes wrong

The most common mistake is lifting the conversion rates along with the activity target, because a bigger number “should” come with better conversion. Test that assumption separately, with evidence, before it goes in the plan. Most growth should come from more activity at the same conversion rate, not from an unproven improvement in conversion.

4. Cash is not profit: modelling the settlement lag

A sale on the board is not money in the bank. In every Australian state, the agency is paid from the trust account on settlement, and settlement falls some weeks after the contract is signed, longer again if the buyer needs finance approval or the contract carries other conditions. That gap between doing the work and banking the fee is the settlement lag, and it is the single most common reason a genuinely profitable agency runs out of cash while it is growing.

Here is why growth makes the lag more dangerous rather than less. When activity is flat, this month’s cash roughly matches this month’s work, because the lag is the same length every month and smooths itself out. When activity is accelerating, the agency is doing more work now than it is banking now, because the extra fees from the extra sales have not settled yet. Costs, including the extra people hired to service the growth, are paid today. The fees for that growth land weeks or months later. The gap between the two is the trough, and it is a cash problem, not a profitability problem: the year can show a healthy profit on paper and still run out of cash in month six.

The one line that matters

Model a cash flow forecast alongside the profit and loss, with the settlement lag built in as its own line, and read off two numbers before you commit to a growth target: how deep the trough goes, and the month it turns around.

5. Worked example: the trough

Continuing the hypothetical agency from section three, and assuming for simplicity a six week average gap between a sale being written and the fee being banked, here is what the growth year looks like in cash terms rather than profit terms.

Month	Sales written	Fees banked (six week lag)	Extra cost of growth	Cash position vs a flat year
Month 1	14	11	Recruitment and onboarding begins	Roughly even
Month 3	16	13	New hires on full cost, ramping up	Down, the gap starts to open
Month 5	18	14	Full team cost, activity still climbing	At its widest, the trough
Month 8	17	17	Team cost stable, activity has caught up	Closing
Month 11	15	18	Fees from the growth months now landing	Back above a flat year

The trough in month five is not a sign the growth plan is wrong. It is the ordinary, predictable cost of growing on purpose, and the whole reason to model it is to size the working capital buffer needed to sit through it without a panic decision in the middle, such as cutting marketing spend or delaying a hire the growth actually needs.

Sizing the buffer

A reasonable starting point is enough cash, or an undrawn facility, to cover the deepest month of the trough plus one month's margin for error. Model your own numbers rather than borrowing this rule of thumb: the right buffer depends on how deep your own trough runs.

6. The lean cost base

The other lever in the plan, alongside the revenue funnel and the cash buffer, is how much of every dollar of GCI actually reaches the bottom line. Two agencies with identical revenue can post very different profit, and the difference is almost always the cost base: how much has been spent replicating a corporate style back office, how many tools are quietly doing the same job twice, and how much of the team's time goes on work a system could do instead.

The plan should show, in plain terms, how a lean cost base converts more of the funnel above into profit the principal actually keeps: fewer, better paid roles doing higher value work, technology doing the repeatable administrative load, and every subscription and support contract earning its place rather than surviving on habit.

A gap worth checking

It is common to find an agency paying for two or three tools that do the same job, kept on because nobody has had the time to compare them properly. A short audit of what is actually being paid for, against what it is actually being used for, often pays for itself in the first quarter.

A simple way to start the audit is to sort every recurring cost into a small number of categories, and ask one honest question of each: does this earn its place, or has it survived on habit.

Category	What to ask
CRM and lead management	Is the whole team actually using it, or has half the pipeline drifted back into inboxes and spreadsheets.
Portals and marketing spend	Is spend tied to a listing that is earning it, or is some of it recurring out of habit rather than a current campaign.
Property management software	Is one platform doing the job, or is a second tool being paid for to patch a gap the first one should cover.
Telephony and communications	Are you paying for seats nobody uses, or for a plan sized for a team that has since changed shape.
Admin and back office support	Is a person doing repeatable work a system could do, freeing that person for higher value work instead.

7. Putting it together: your working plan

None of this needs to be complicated. It needs to be built from your own numbers and revisited more than once a year.

- **Anchor on your own numbers.** Average sale price, commission rate net of GST, and both conversion rates, taken from your own trust account and CRM, not an industry rule of thumb.
- **Build the funnel backward** from the revenue target, and test the activity number that falls out the other end against the team's real weekly capacity.
- **Model the cash flow** alongside the profit and loss, with the settlement lag as its own line, and find the trough before it finds you.
- **Size a working capital buffer** to the depth of your own trough, not a generic percentage.
- **Revisit the plan every quarter** against actuals. A plan that only gets opened once a year is a poster, not a plan.

8. Questions principals ask us

What if I do not have clean conversion rate data yet.

Start with whatever the CRM or the trust account can tell you, even if it only covers the last two quarters rather than a full year. An honest estimate you can improve next quarter beats a precise sounding number nobody can trace back to a source. Flag it as an assumption to confirm, and revisit it once better data exists.

How often should the plan actually be revisited.

Quarterly, against real activity and real cash, not just at the anniversary of when it was written. A plan reviewed only once a year has usually drifted a long way from reality by the time anyone looks at it again.

What if the trough turns out deeper than the buffer we set aside.

That is exactly why the model gets built before the growth target is locked in, not after. If the trough is deeper than the business can safely sit through, the answer is usually to phase the growth, not to abandon the buffer discipline.

Does this replace the work my accountant or bookkeeper does.

No. This sits alongside them, not instead of them. The accountant and bookkeeper report what has happened. This model is about deciding, before the year starts, what you want to happen and whether the cash can support it.

9. Quick reference: the reverse engineering checklist

A short checklist to run your own numbers through before the next planning conversation.

- Do we know our actual average sale price and commission rate net of GST, straight from the trust account, rather than an estimate.
- Do we know our real list to sale conversion rate and appraisal to listing conversion rate from the last twelve months.
- Has the growth target been built backward from those real numbers, rather than chosen first and justified afterwards.
- Have we tested the resulting weekly activity number against what the team can genuinely deliver.
- Is there a cash flow forecast alongside the profit and loss, with the settlement lag modelled as its own line.
- Do we know how deep our own trough runs, and is the working capital buffer sized to it.
- Is the plan reviewed every quarter against actuals, or only once a year.

If more than one answer is no

That is not a reason to worry. It is simply the starting list for the next quarter, in the order that will make the plan most honest fastest.

10. What this means for you this year

This is the exercise Colab Partners runs with every principal before we build a plan together: start from what is actually true in the business, build the funnel and the cash flow backward from there, and be honest about the trough as well as the upside. A plan built this way survives contact with January, because it was never a whiteboard number to begin with.

If you would like a second pair of eyes on your own numbers, or want the full version of this model built for your own agency, complete with the cash flow forecast, the org design and the technology audit that usually funds part of the plan, that is the conversation we have with principals every week.

About Colab Partners

Colab Partners builds premium, brand ready business plans for real estate agency principals, reverse engineered from the founder's own numbers rather than a generic template: the financial model, the cash flow forecast, the org design and roles, and a technology audit that usually finds money already leaking out of the business. Get in touch at admin@colabconsultant.com or visit www.colabpartners.net.