



Successfully Partnering with Management: Inside Real Estate



A shared vision and alignment of values. Skillfully leveraging operating resources and domain expertise. And, ultimately, partnering with management teams to achieve exceptional results...

Inside Real Estate is a case in point.

Inside Real Estate ('IRE' or the 'Company') was a residential real estate software business at an important inflection point. Through a careful review of the business model, product offerings and competitive landscape, NexPhase and IRE's founders and current investor, 42 Ventures, realized significant value could be unlocked through investments in people, acquisitions, product extensions, and processes.

The Company had a variety of needs to address, including selection of strategic areas for addressable market expansion (taking into account a growing and well-funded set of competitors), creating an efficient and scalable sales and marketing machine, management team augmentation and building out the board of directors.

As with many companies at a similar inflection point, IRE's current owners were seeking a partner to help not only capitalize the Company for its next stage of growth, but also to support investment decision making efforts and execute acquisitions. And of course, cultural fit was of great importance.

Recognizing our ability to help accelerate growth, IRE chose to partner with NexPhase in 2016.

"Our collective success is a testament to our partnership and the Company's outstanding management team. We are proud of both the growth that the Company has achieved and of its excellent market position."

– Joel Killion, Partner, NexPhase Capital

Results at a Glance

- Increased customer base by over 6,000%
- Grew ARR by 210% (CAGR of 54%)
- Grew EBITDA by over 300% (CAGR of 67%)
- Completed three acquisitions
- Successfully exited the business

"With extensive strategic, operational, and industry expertise, NexPhase was an invaluable partner as we expanded our platform and grew our customer base. Not only did NexPhase realize the potential of our strategy, they also helped us complete several critical acquisitions necessary to drive rapid growth."

– Ned Stringham, CEO, Inside Real Estate

Thesis and Key Strategies

It was evident that IRE would flourish with the right investments. Developing a shared vision with IRE's current owners, we set out to create the first broker-centric, top-to-bottom and end-to-end, front office real estate software platform serving brokers and agents.

Through a collaborative planning effort, we identified three key strategies:

1. Fill in platform functionality openings through accretive acquisitions.
2. Expand the product portfolio by internally developing new service lines.
3. Augment the management team and create expanded sales and marketing capabilities.

Let's review each of these strategies.

Expanding Functionality

While several expansion avenues were considered, lead generation, commissions management and property visualization were ultimately identified as priority functionalities. Leveraging decades of collective M&A sourcing, acquisition, and integration experience, NexPhase worked closely with IRE to secure these functionalities.

Expansion of the Company's lead generation capabilities was a top priority at the outset of our partnership. NexPhase worked with management to source and analyze dozens of acquisition candidates and contact those targets through a combination of direct outreach and intermediary introductions.

These efforts led to the acquisition of Kunversion in 2016, a pivotal advancement in the IRE business model. Trusted by over 40,000 real estate professionals, Kunversion was capturing 500,000 buyer and seller leads per month and generating over 200,000 AI-generated e-mails per day.

Shortly thereafter, the team added commissions management to the platform's functionality. In December of 2017, IRE acquired BrokerSumo, a comprehensive agency management platform which provided new agent onboarding, monthly billing management, and customized commissions planning.

In January of 2018, IRE acquired CirclePix to enhance property visualizations and virtual tours. Encompassing fully automated print and digital marketing services, CirclePix automatically created complete marketing campaigns for each stage of the property listing life cycle.

Extending the Product's Reach

In concert with the Company's M&A strategy, we allocated additional investment to further develop the Company's software platform using best-of-breed technology components in order to create the first enterprise residential real estate brokerage platform of its kind. This new platform, known as kvCORE, uniquely targeted both the enterprise and broker markets with the ability to sell to agent teams and individual agent segments. The kvCORE platform powers the entire brokerage including supporting staff, agents and teams in order to drive increased deal flow, consolidate costs and track profitability.

kvCORE, combined with the Kunversion, BrokerSumo, and CirclePix acquisitions, created a comprehensive platform of high margin add-on functionalities which significantly expanded IRE's addressable market.

Building the Team

IRE had a talented incumbent management team. However, augmentation was needed in order to execute the plan. During the NexPhase investment period, the Company grew by 87 employees including seven senior positions.

Senior positions added included Chief Financial Officer, Chief Product Officer, SVP of Enterprise Sales, and VP of Marketing. The company also created and staffed a customer success function that ensured best-in-class customer servicing.

When completed, the fully-staffed team represented one of the most capable and accomplished groups in the real estate software sector.

IRE Today

Today, Inside Real Estate is one of the fastest growing real estate software companies in the nation and a trusted technology partner to over 200,000 agents, teams, and top brokerages. The Company's platform is arguably the most modern and comprehensive solution in the industry, capable of enabling growth at every level of the brokerage organization.

Working together, NexPhase and IRE created the first end-to-end solution in a highly fragmented sector by aligning interests and thoughtfully executing investments.

Together, we launched the customer success and inside sales teams and executed 17 tactical playbook initiatives including investments in process improvement, the launch of new products, and extensive software upgrades.



A Successful Exit

After a three-year partnership with NexPhase, Inside Real Estate was acquired in 2019 by Lovell Minnick Partners. This exit was earlier than planned due to the Company's brisk pace of plan execution and success.

During our partnership, IRE grew its customer base by over 6,000%, expanded ARR by 210% (a 54% CAGR), grew EBITDA by 300% (a 67% CAGR), acquired and integrated three companies, and successfully transitioned ownership to another private equity firm, where the company continues to prosper under the leadership of the same management team.

Most importantly, our partnership helped the business achieve its potential and create value for its owners while preserving its unique corporate culture.

"We were excited to partner with the team at Inside Real Estate, individuals who maintained a shared vision, incredible drive, and dogged determination to become the leader in their space. Together we created a broad-functioning, unified platform for both small agent teams and large, multi-regional, multi-office brokers and, well, the results speak for themselves."

- Bob Gartland, Principal, NexPhase Capital

Partnering with NexPhase

NexPhase is a lower middle market focused private equity firm founded in 2007 with \$1.6B in private equity capital under management. We have completed over 75 investments during the past 14 years and partner with leading software and service companies that benefit from attractive long-term macro trends.

These trends include digitization of paper-based processes, efficiency gains due to workflow and process automation, transition from on-premise systems to SaaS and cloud solutions, and growing utilization of search engine marketing, search engine optimization, and social media-centric tools, amongst others.

Identifying exceptional companies that leverage these trends, we seek to partner with management in order to create upside through the skilled application of operating resources, domain expertise and our investment toolkit.

Our partners are aligned with us, possessing a shared vision and cultural values, as well as a desire to invest in people, products, and processes in order to propel their businesses to the *Next Phase*.

We Should Talk

Are you ready to take your business to the *Next Phase*?

Let's discuss how we can help.

Transaction Opportunities

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This case study represents a single portfolio company investment made by the NexPhase team. A full list of portfolio company investments is available upon request. No assumptions should be made that any such investment was or will be profitable.