



BUSINESS VALUATION ▪ TRANSACTION ADVISORY SERVICES ▪ VALUE MAXIMIZATION STRATEGIES



# HAVE YOU DISCOVERED YOUR RECURRING REVENUE MODEL?



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When it comes to the value of your business, what happened in the past is much less important than what is likely to happen in the future.

One of the most important ways you can shape the future of your business is to create some recurring revenue. Recurring revenue comes from those magical sales you make without really trying. Good examples of recurring revenue models include ongoing service contracts, subscriptions, and memberships

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– basically any sale situation the customer has to proactively opt out of, instead of in to.

Recurring revenue is critical for the value of just about any small business, and it is equally important for the world's largest businesses.

## **Why ICD bought Porto Montenegro**

If you're looking for a fun example of why recurring revenue matters, take a look at The Investment Corporation of Dubai (ICD) and their acquisition of Porto Montenegro Marina and Resort. If you happen to be the heir to a European royal dynasty or are a Silicon Valley billionaire, you've probably parked your boat in Porto Montenegro. Along with 450 berths for the world's largest super yachts, there's a 5 star hotel, ultra exclusive residential properties and 250 high-end boutiques to indulge just about any fancy.

Porto Montenegro is the brainchild of Peter Munk, who is best known as the founder of Barrick Gold Corp. Munk fell in love with the natural beauty of the Adriatic coastline and saw an opportunity to buy an old naval ship yard and transform it into one of the world's most exclusive travel destinations.

So why on earth would ICD, the principle investment arm of the

Dubai government, be interested in buying a glorified parking lot in the middle of an old naval base?

Well it turns out that super yachts need a lot of regular maintenance. In fact, the average super-yacht owner spends 10% of its value every year on repairs and maintenance. ICD wanted the steady flow of recurring revenue from maintenance contracts with the well-heeled owners who moored their yacht at Porto Montenegro.

## **Tomorrow vs. Yesterday**

Porto Montenegro is a billion-dollar reminder that recurring revenue is important for large companies, but creating an annuity stream can be even more important for smaller businesses. It can be tempting to celebrate the large project wins or a big sale to a one-off customer, but when it comes to valuing your business, acquirers may discount those as aberrations and focus on the steady flow of your recurring business.