

Vacasa will go public in deal that values business at \$4.5B

By MIKE ROGOWAY
The Oregonian

Portland vacation rental giant Vacasa said Thursday it plans to go public in a deal that values the business at \$4.5 billion, vaulting the young company into the top tier of Oregon businesses.

A deal with an investment fund called TPG Pace Solutions will list Vacasa under the ticker symbol VCSA without the initial public offering typically associated with new stock listings. Such arrangements have become extremely popular over the past two years as a mechanism for going public without the expense associated with a traditional IPO.

The deal stands to make Vacasa the most valuable new Oregon company in generations. It's the latest in a string of public offerings in Oregon and southwest Washington state that signals the emergence of a new class of young business that could help anchor the regional economy.

At \$4.5 billion, Vacasa would be Oregon's fifth most-valuable business, ahead of Portland General Electric, Umpqua Bank and NW Natural.

Vacasa manages vacation rentals, listing owners' properties online and performing cleaning and maintenance. It has more than 30,000 listings in 400 communities around the country, from Manzanita to Myrtle Beach.

The company, which had already raised about \$630 million through prior investments, will receive \$485 million in new funding through its public offering.

"It's all about pace of play," CEO Matt Roberts said in an interview Thursday. He said the new funding will enable the company to substantially boost its spending on technology and on adding properties to its management service.

"We're going to be able to move against a long list of ideas we have to improve the business at a faster pace," Roberts said.

Rapid growth

Founded in 2009 by Portland business analyst Eric Breon, Vacasa has grown rapidly by acquiring other vacation management businesses — some of them large, and others tiny outfits run by families in communities popular among tourists. Vacasa has sometimes faced accusations of strong-arming smaller competitors, including a lawsuit last spring alleging it waged a "smear campaign" to win renters away from a rival management firm.

The company's technology tracks rental bookings in its markets and dynamically adjusts prices to reflect demand. Vacasa claims that boosts revenue for the property owners who list with it, though it may also



Vacasa lists vacation homes online, like this one in New Hampshire, and provides cleaning and maintenance services. The Portland company dynamically adjusts rental prices to match demand, which boosts rental income but raises the cost of renting.

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have the effect of driving up the cost of get-aways for those who rent vacation homes.

Breon, 42, ran Vacasa for a decade but stepped down last year. He still lives in the Portland area. Vacasa made Roberts — previously CEO of online restaurant reservation company OpenTable — its new chief.

Vacasa employs 6,500, most of whom work in vacation communities to maintain rental properties between guests, and 400 in Portland. Its Pearl District headquarters reopened this week for employees who choose to return voluntarily.

Both Roberts and Vacasa's chief financial officer, Jamie Cohen, live in California. Roberts said Thursday that Vacasa is a distinctly Oregon company, but he said its workforce will remain distributed after the pandemic.

"Things are more remote than they've ever been," he said. "We're not unusual in that. That trend is well established now across a ton of different companies."

Vacasa disclosed its financial results for the first time on Thursday in conjunction with its pending public offering, reporting \$492 million in revenue last year and a \$92 million loss.

It's typical for young, fast-growing companies to lose money while they're investing in their growth, but investors will be watching carefully to ensure Vacasa has a path to profitability.

Vacasa had \$290 million in cash at the end of March, according to the financial filings, and \$458 million in long-term debt.

On Thursday, Roberts said Vacasa is spending aggressively to bring new prop-

erties into its management portfolio. That spending will continue indefinitely, he said, but Vacasa anticipates the contribution from each new property will soon overtake the money going out the door. Roberts said the company expects to be profitable by one measure of its cash flow in 2023.

Alternative to traditional IPO

Vacasa will list its stock through a mechanism called a special purpose acquisition company, or SPAC. Vacasa will absorb the stock listing of the TPG investment fund, which is already trading on Wall Street. It's become a fashionable way to facilitate stock listings as an alternative to a traditional IPO.

Vacasa said Breon and other major shareholders, which include six large investment firms, will retain their shares in the Thursday's deal. They will collectively own 88% of the company after the transaction.

The Portland company said it hasn't determined which exchange will list the stock. It plans to complete the transaction sometime this fall.

The COVID-19 pandemic initially shook up Vacasa's business, triggering a sharp drop in revenue in the spring of 2020. But it soon became clear people could still travel for vacations and that individual incomes remained strong through the pandemic, in aggregate.

Indeed, Vacasa reported that its revenues grew by 64% last year. It forecasts growth of 54% this year and about 30% in each of the next two years, topping \$1 billion in revenue beginning in 2022.

Oregon hadn't produced a new, large public company since the 1990s. But now it has two on deck, with the Dutch Bros drive-thru coffee chain — based in Grants Pass — pursuing a conventional IPO.

Last year, Vancouver marketing data broker ZoomInfo went public with the region's largest IPO ever. That business is now worth more than \$21 billion.

And earlier this month, Vancouver biotech startup Absci went public in an IPO that valued that business at roughly \$2 billion.

Wilsonville clean energy startup ESS Tech also plans to go public this fall. Like Vacasa, ESS will list through a SPAC transaction. ESS is a tiny company that is still working to demonstrate its technology and find a market, but its proposed deal would value the business at \$1.1 billion.

The string of deals, from four very different industries, suggest the region's economy remains strong despite the pandemic. And it suggests that while Oregon's economy remains in the shadow of its neighbors in Seattle and the Bay Area, it is again capable of growing large, new businesses.

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