

Money Talks

*How to understand the value of
your escape room business...
and what you can do to improve it.*

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Encrypted Escape & Captured LV

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If you were to sell your escape room

RIGHT NOW

how much would you ask for it?



Now, please
RAISE YOUR HAND
if you would buy it for that price.



An Excited Buyer!



**Luxury
Location**



**Good
Revenue**



**Expenses Look
Decent**



**Rent High but
Expected**



**No
Managers**



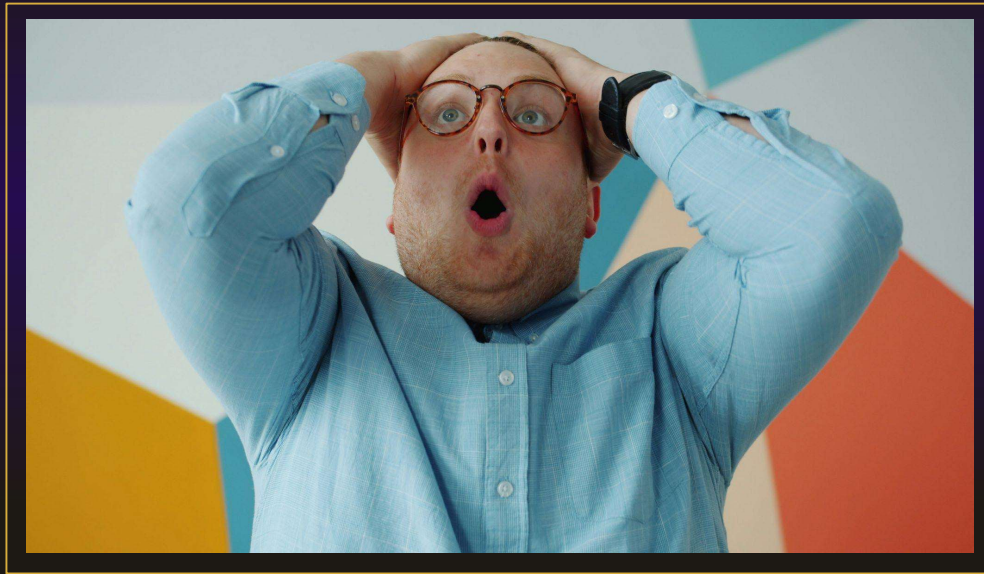
**No
SOPs**



**Great
Demographics**



The Story After Day 1



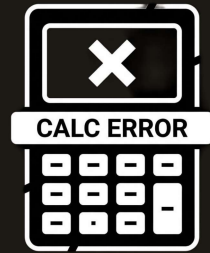
What Happened?



An Excited ~~Buyer~~ Owner!



**The
“Great Deal”**



**Income
Miscalculation**



**Excitement
Before Process**



**Region
Downturn**



Money Talks

**What is the REAL value of
business?**



Some Definitions

ROI

**Return on
Investment**

SDE

**Seller's Discretionary
Earnings**

EBITDA

**Earnings Before
Interest, Taxes,
Depreciation, and
Amortization**



Do I have the real numbers?



Buyers don't buy revenue. They buy
CASH FLOW



So, what actually matters?



Valuating a Business



**Let's buy an
escape room together.**



Businesses for Sale



COMPANY A
\$750,000

COMPANY B
\$550,000

COMPANY C
\$450,000



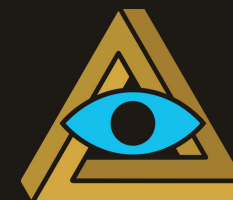
Case Study: Total Expenses

	COMPANY A		COMPANY B		COMPANY C	
Accounting/ Financial/ Interest/ Sales tax/ Advertising	42K	9%	70K	16%	24K	5%
Office Expenses/ Supplies/ Other/ Entertainment/ Insurance/ Health insurance	15K	3%	13K	3%	5K	1%
Game Expenses/ Licenses/ Maintenance/ Repairs	31K	7%	7K	2%	5K	1%
Rent & Utilities	67K	15%	60K	14%	142K	27%
Wages (includes taxes)	110K	24%	107K	25%	130K	25%
TOTAL EXPENSES	265K	57%	257K	56%	306K	59%



Case Study: Multiplier Summary

	COMPANY A		COMPANY B		COMPANY C	
ASKING PRICE	\$750K		\$550K		\$450K	
REVENUE	\$460K		\$430K		\$520K	
EXPENSES	\$265K		\$257K		\$305K	
SDE PROFIT	42%	\$195K	40%	\$173K	41%	\$215K
SDE MULTIPLIER	3.85 X		3.20 X		2.10 X	
EBITDA MULTIPLIER	5.35 X		5 X		3.4 X	



What Determines Value?

#1

Financial Strength

#2

Team

#3

Systems & Operations

#4

Location

#5

Product

#6

Intangibles



1. Financial Strength



Financial Strength

- Is it profitable?
- Can the business consistently generate cash?
- Revenue trends



Financial Strength

- Debt
- Cash reserves



Financial Strength

- If I bought this business tomorrow, how confident am I that this cash flow will continue?



Financial Strength Scorecard

	COMPANY A		COMPANY B		COMPANY C	
Clear and clean financial reports and documents	C	-5%	B	5%	F	-30%
Updated permits, taxes, etc.	C	5%	B	-5%	B	15%
Healthy cash flow	C	5%	A	10%	D	-15%

Am I seeing the full financial picture?



2. Team & Leadership



Team & Leadership

- General Manager / Assistant Manager
- Staff retention
- Diversified task responsibility



Team & Leadership

- Owner Dependency

*Am I buying a business
or am I buying a job?*



Team & Leadership Scorecard

	COMPANY A		COMPANY B		COMPANY C	
Manager in place	N/A	-50%	N/A	-50%	N/A	-50%
Employee skill level	A-	15%	C	-5%	C	-5%
Owner dependency	100%	-30%	100%	-30%	20%	60%

Who is taking care of the business and how?

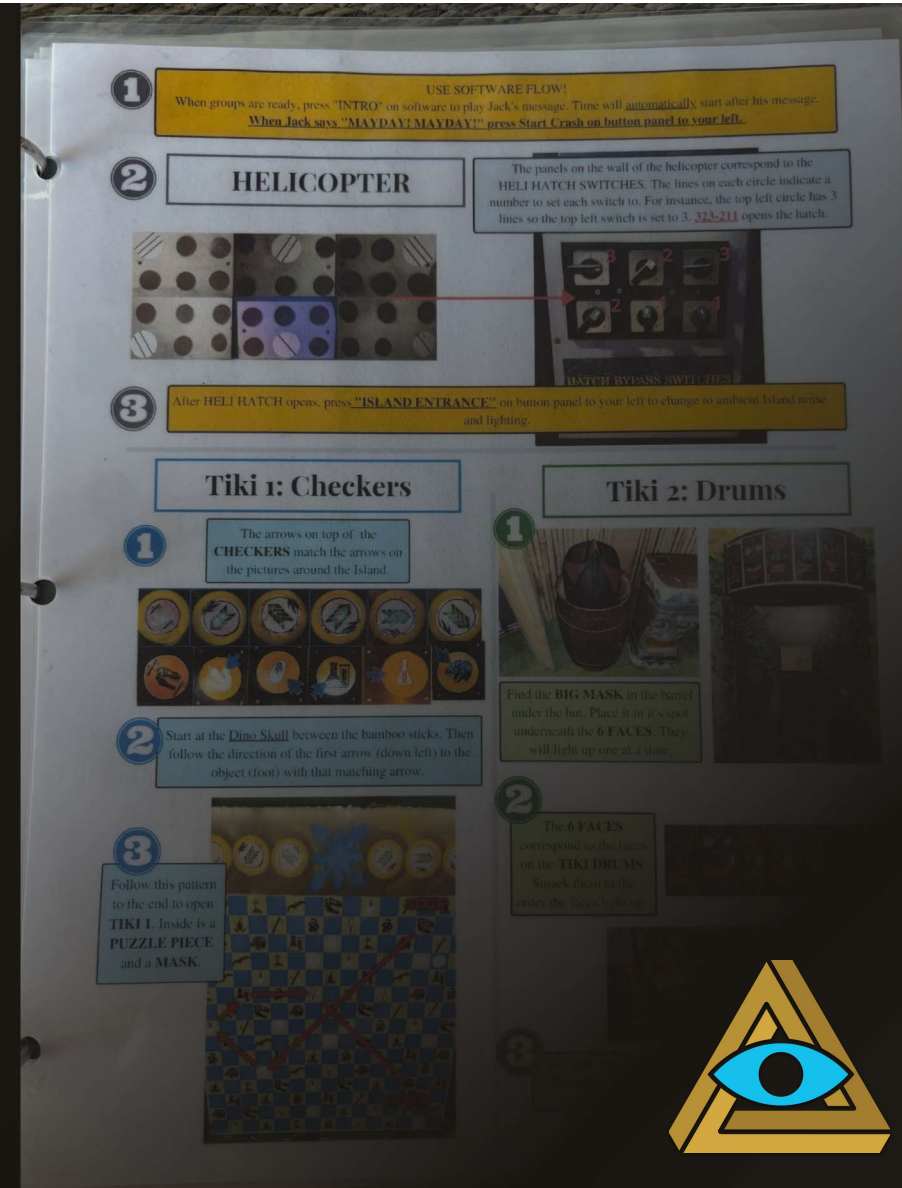


3. System & Operations



Systems & Operations

- SOP: Standard Operating Procedures
- Maintenance systems



Systems & Operations

- CRM: Customer Relationship Management
- Reporting
- Data tracking



Systems & Operations Scorecard

	COMPANY A		COMPANY B		COMPANY C	
Documented SOPs	C	-5%	B	5%	F	-30%
Booking, CRM, and report systems	C	-5%	B	5%	B	5%
Maintenance system	C	-5%	B	5%	C	-5%

What would happen If the Owner or Manager disappeared for a month?



4. Location & Market



Location & Market

- Is the environment helping or hurting?



Location & Market

- Demographics
- Tourism
- Competition



Location & Market Scorecard

	COMPANY A		COMPANY B		COMPANY C	
Area spending power	B	-10%	B	-10%	A+	20%
Corporate density	A	10%	C	-10%	A	10%
Region economic outlook	B	5%	B	5%	C	-20%

*Is this the right place
at the right time?*

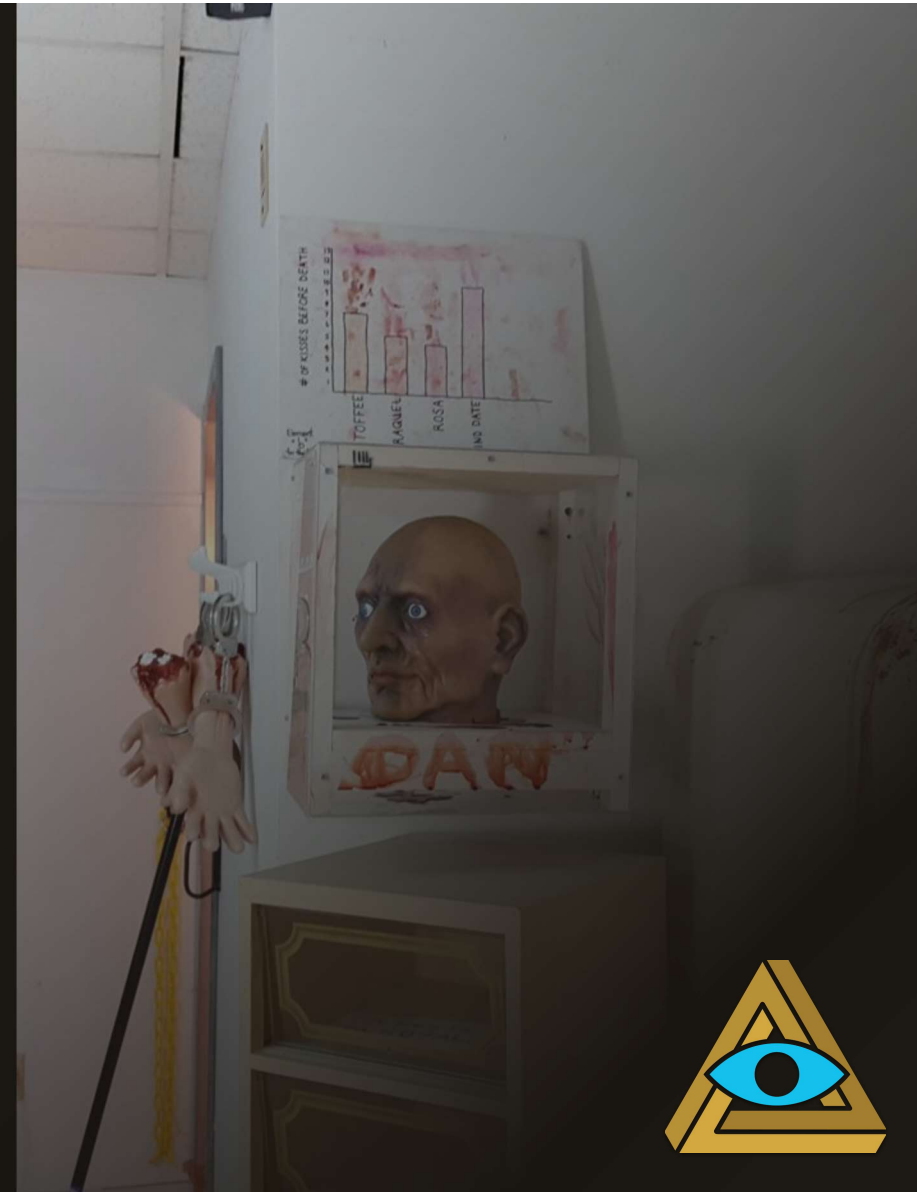


5. Product & Game Experience



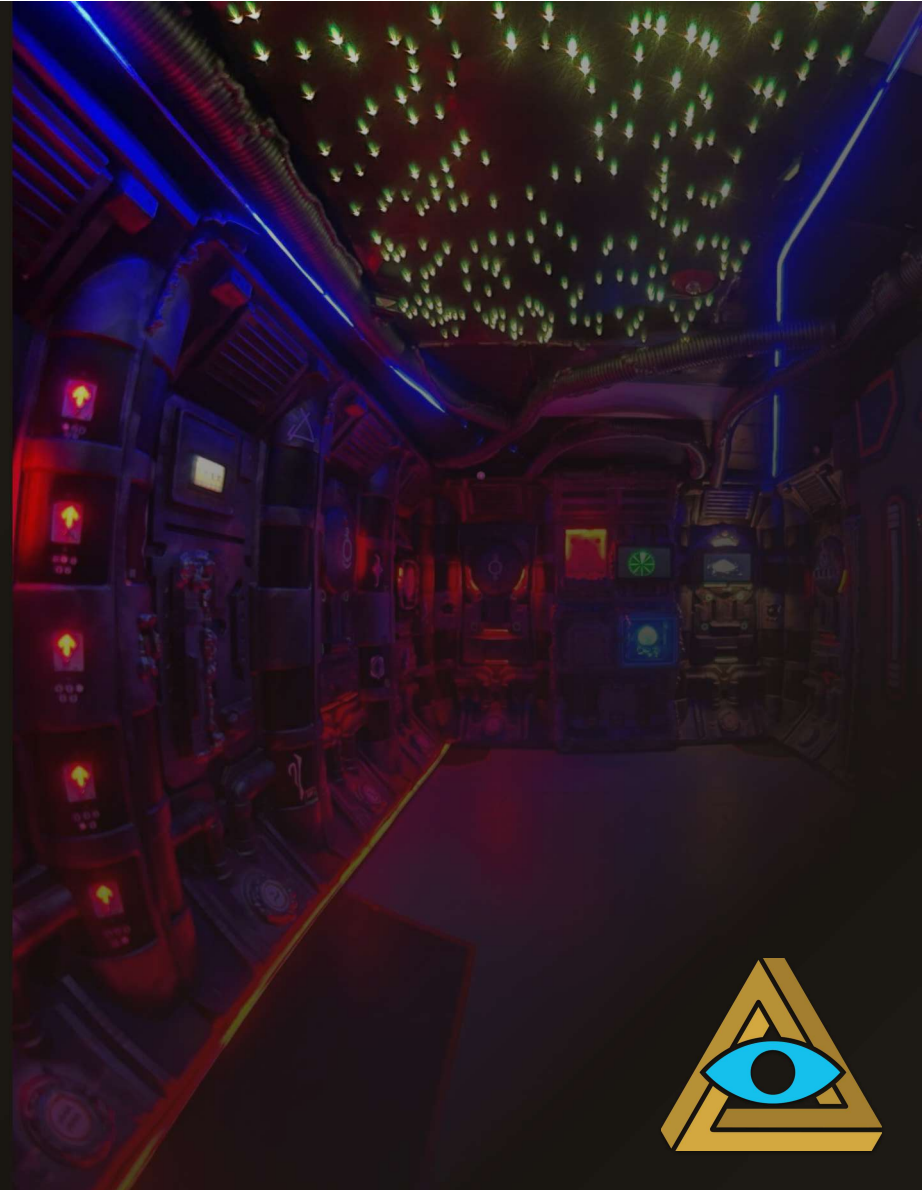
Product & Game Experience

- How strong is the actual product?



Product & Game Experience

- Game quality
- Innovation
- Facelift style



Product & Game Experience

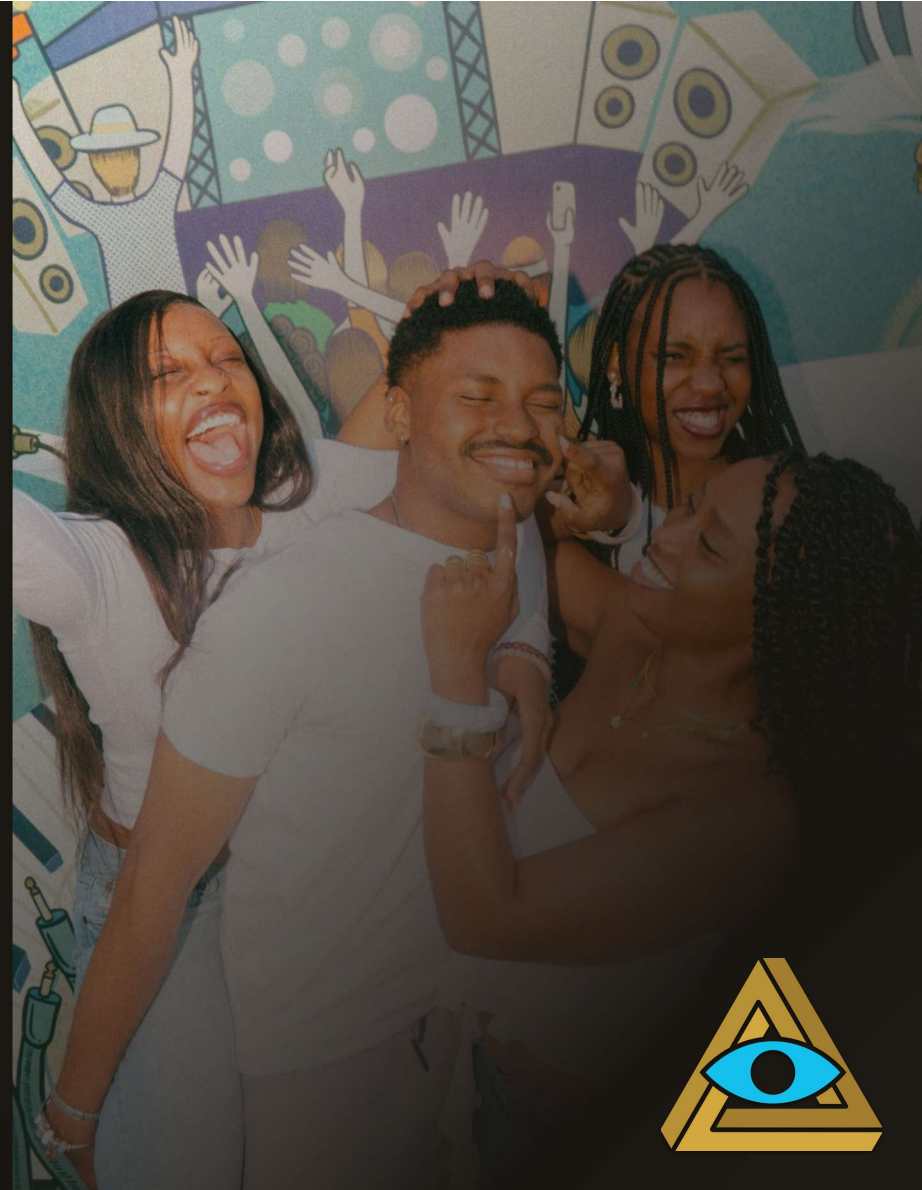
- Is it reliable?



Product & Game Experience

- Game satisfaction

Would I drive 30 minutes to play here?



Product & Game Experience Scorecard

	COMPANY A		COMPANY B		COMPANY C	
Game quantity	7.00		4.00		3.00	
Game buildout quality	B-	5%	A	20%	B+	15%
Player experience quality	B	10%	A+	20%	B	10%
Game age average (years)	5	-20%	3.50	10%	2.50	20%
Room for more games	No	0%	1	10%	2	20%



6. Intangibles



Intangibles

- How easy is it to attract customers?
- Reviews & replies



Intangibles

- Brand recognition



Intangibles

- Marketing
- Company culture
- Partnerships

Does the market know and trust this business?



Intangibles

- Does adding a second location make this business stronger?



Intangibles

- Intellectual property
- Low turnover



Intangibles Scorecard

	COMPANY A		COMPANY B		COMPANY C	
Online reputation	A-	15%	A+	20%	B+	10%
Customer recognition	B	10%	A+	20%	B	10%
Multi-location synergy	No	-5%	Yes	10%	Yes	50%
Lease stability	2 years		2 months		7 years	
Urgency for sale	Low	0%	Very High	-50%	Very High	-50%



What Determines Value?

- 1: Financial Strength
- 2: Team
- 3: Systems & Operations
- 4: Location
- 5: Product
- 6: Intangibles



Case Study: Valuation

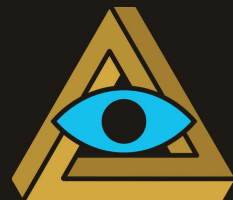
	COMPANY A	COMPANY B	COMPANY C
ASKING PRICE	\$750K	\$550K	\$450K
2.5X EBITDA	\$490K	\$430K	\$535K
MODIFIER	-50%	-25%	-10%
VALUATION	\$245K	\$322K	\$480K

Is there any residual asset valuation after ROI period?



Case Study: Total Investment

	COMPANY A	COMPANY B	COMPANY C
ASKING PRICE	\$750K	\$550K	\$450K
2.5X EBITDA	\$490K	\$430K	\$535K
MODIFIER	-50%	-25%	-10%
VALUATION	\$245K	\$322K	\$480K
ADDITIONAL GAMES	+3 GAMES	+1 GAME	+2 GAMES
BUILD OUTS AND TAKEOVER COSTS	\$145K	\$85K	\$120K
TOTAL INVESTMENT	\$390K	\$407K	\$600K



Case Study: ROI from Asking Price

<i>10 Year Cycle</i>	COMPANY A	COMPANY B	COMPANY C
INVESTMENT	\$885K	\$665K	\$600K
YEARLY AVERAGE EBITDA	\$120K	\$115K	\$190K
TOTAL INCOME 10Y	\$1,200K	\$1,150K	\$1,900K
TOTAL ROI	\$315K	\$485K	\$1.3M
YEARLY AVERAGE ROI	4%	7%	22%
PAYBACK (YEARS)	7.4 YEARS	5.8 YEARS	3.15 YEARS



Case Study: ROI from Valuation

<i>10 Year Cycle</i>	COMPANY A	COMPANY B	COMPANY C
INVESTMENT	\$390K	\$407K	\$640K
YEARLY AVERAGE EBITDA	\$120K	\$115K	\$190K
TOTAL INCOME 10Y	\$1,200K	\$1,150K	\$1,900K
TOTAL ROI	\$810K	\$743K	\$1.3M
YEARLY AVERAGE ROI	21%	18%	22%
PAYBACK (YEARS)	3.25 YEARS	3.5 YEARS	3.3 YEARS



Key Takeaways

**Risk determines
value multipliers.**



Key Takeaways

**You are buying
future cash flow.**



Key Takeaways

**Past performance is no
Guarantee of future results.**



Key Takeaways

**What makes or
breaks a business?**





A group of approximately ten people, including men, women, and children, are posed in a room with ornate decor. The men are wearing suits, hats, and suspenders, while the women are in dresses and coats. One man in the foreground is seated and smoking a pipe. The background features a large mirror, patterned curtains, and a grandfather clock. The overall tone is somber, with a dark, muted color palette.

(even the ones that don't get paid)



Thank you!

