

# PASSIVE INCOME WITH AN ICE MACHINE **IS IT WORTH IT?**

By: Derek Sall

**W**e've all heard of the typical passive investments – index fund investing, real estate, dividend stocks, high-yield savings – but what about something a little different? What if we go back in time a bit and take a page from the book of Warren Buffett?

In 1946, a 17-year-old Warren bought a pinball machine for \$25 and placed it in a local barber shop. His pitch? He would place it there at no risk to the barber. He and his friend would fix it if it broke and they offered to pay the barber half the earnings from the pinball machine. As the story goes, the barber quickly agreed.

In just one night, Buffet and his buddy earned \$4. In just a week's time, they recouped their initial \$25 investment and used the funds to buy another machine. They did this again and again, quickly forming a pin-ball machine empire in barbershops all over the city. Today, Warren admits that this business may have been one of the best in his life!

Today, there's a similar offer. A passive investment by way of an ice machine. Could this be the next hot investment? Or is it one that's too good to be true?

I'm excited to crunch the numbers to discover the answer.



## The Traditional Ice Model

When most people think about an ice machine, they picture a huge cooler outside of a gas station with glass doors on top. To get a bag or two, you need to go inside, pay an attendant, head back outside, grab your bags and go. Seems simple enough right? Does that process really need to be improved? Think about this though – have you ever thought about how those bags got there? Ahaaaaa!

Either it's the gas station attendant's job when business is slow, or a third-party company needs to be paid to drop off the fresh bags each day (or multiple times a day). This is hardly a passive business model. And, with all the manual involvement, the returns probably aren't all that good.

### **ENTER THE EVEREST ICE AND WATER MACHINE**

A TRULY PASSIVE OPTION

The Everest ice and water machines take up a smaller footprint than those traditional coolers. Why? Because they make ice and water as they're purchased. Just plug them in and hook them up to a water source. The machine will do the rest.

Pair this with the credit card option on the machines and there truly is nothing for the investor to do other than watch the dollars rack up in their bank account. So, it's true. This ice vending investment is passive...but is it worth it?

Let's dive a little deeper...

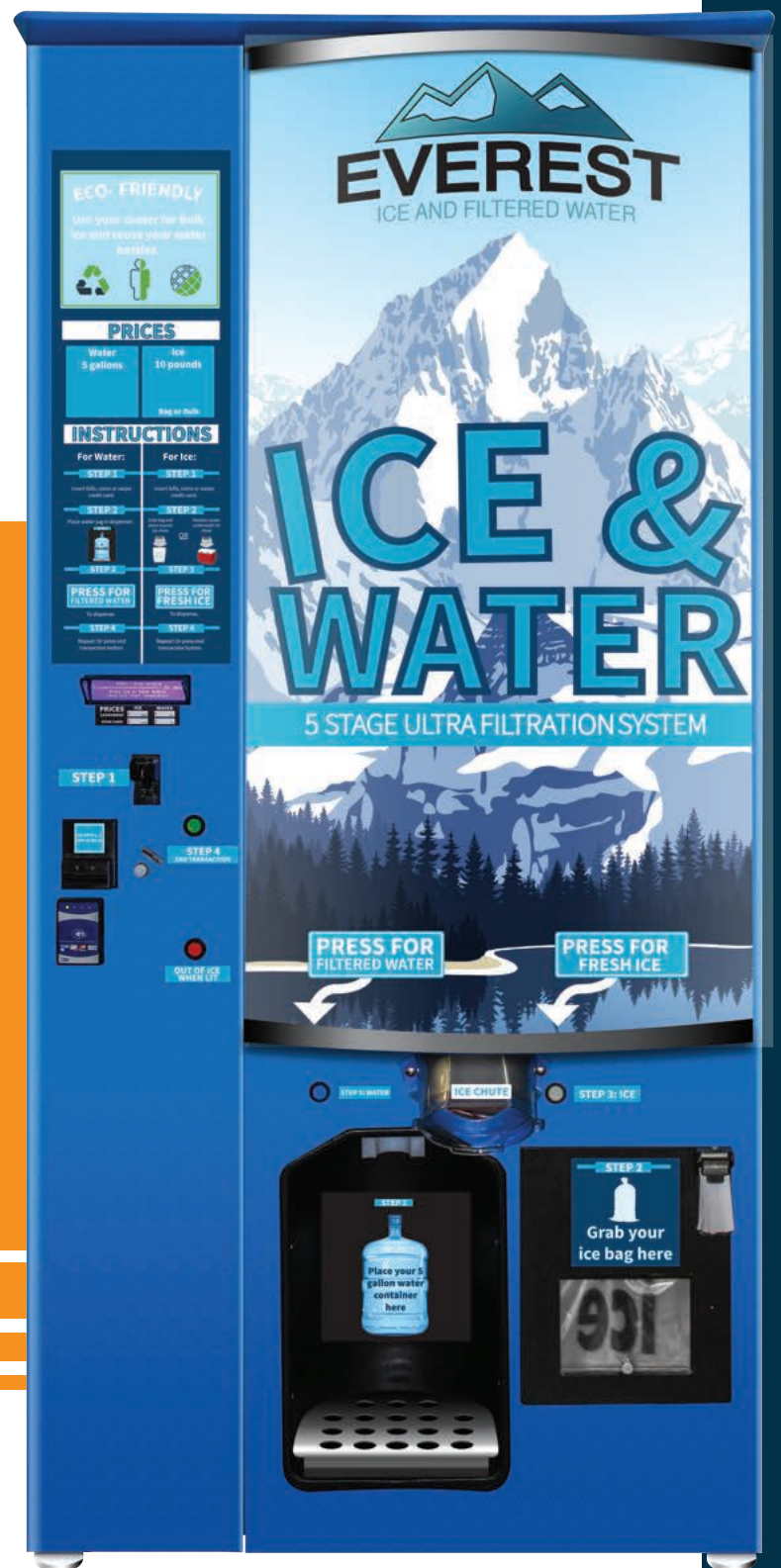
# ▶ THE MACHINE

The Everest models are 45 inches wide, 55 inches deep, and 96.5 inches high. So, they sit on a space that's less than 4 feet by 5 feet. That's just under 20 square feet.

There are four main models:

- EVEREST VX1
- EVEREST VX2
- EVEREST VX3
- EVEREST VX4

Model VX1 produces up to 640 pounds of ice per 24-hour day. The most productive model – the Everest VX4 – produces up to 1,909 pounds of ice per 24-hour day.





# ▶ THE REVENUE

As I stated before, each machine has both an ice and water option. Since Everest has been in this business for a while, they have seen machine placements perform exceedingly well...but also those that have performed not so well. They do a great job revealing the high- and low-end potential of each machine placement.

## **HOMERUN LOCATION**

Based on the historical data from Everest, a high-traffic placement could produce sales of 100 ice bags and 120 gallons of water per day.

At \$2.25 per ice bag and \$0.50 per gallon of water, the revenue earned per day is \$285. Do this 365 days a year and you'll earn a top line revenue of \$104,025.

Whoa, now THAT's a solid number. But of course, it's not the likely number. Before we get too excited, let's consider what a poor location might do.

## **POOR LOCATION**

In a severely sub-par location, Everest estimates that you'll still sell 20 bags of ice and 10 gallons of water per day.

With the same pricing assumptions as the scenario above, the total revenue equates to \$50 a day, which means \$18,250 for the year.

Not nearly as exciting as a hundred grand, but honestly still not awful. I mean, that's approximately \$1,500 of revenue per month for doing basically nothing. But...we do still need to dig into costs.

# ▶ THE COSTS

WHAT DOES IT ACTUALLY COST TO RUN ONE OF THESE MACHINES?  
WHAT DO YOU NEED TO CONSIDER?

To keep this analysis as simple as possible, I have decided to consider the filter costs, the cost of water, and the potential machine repairs (the machine is warranted for the first year, but not thereafter). These are costs that everyone will experience with each machine.

The space rental, credit card costs, electricity, potential vandalism, and interest costs – these will vary by location and person. For some, these costs are not a factor. For others, they may weigh heavily on the business financials. In this analysis, I refer to these costs and give high-level estimates only. For your analysis, be sure to consider these costs and base them on your unique situation.

**Based on what I've reviewed and researched, the full gamut of costs items include:**

- The filters
- Water
- Electricity
- Machine repairs
- Renting the space
- Credit card costs
- Potential vandalism
- The interest costs of financing  
(if you don't pay cash for your machine)

## THE ESTIMATE (Mine, not Everest's)

- The filter cost is simple -- \$400 a year
- The cost of water per 10lb bag of ice is \$0.08
  - > The cost of the bag is \$0.07 and needed ½ of the time
- The cost of water per gallon sold is \$0.01
- The cost of maintenance – I figured 2 visits may be needed per year, with an average cost of \$275 needed per visit. Total yearly cost is \$550



# ▶ POTENTIAL RETURNS & THE BREAK-EVEN POINT

It's time to put all the numb together. When we take the revenue and subtract out all the expenses, does the investment still make sense? How long does it take to break even?

## The Homerun Location

At the homerun location, one can expect to sell 100 bags of ice and 120 gallons of water per day. We already know the top line revenue equates to \$104,025. How much do the expenses bring down these dollars?

Before you get out your calculator and stare blankly at a blank sheet of paper, just hop online to Everest's website. They have an ROI calculator there ready for you. I simply plunked in my assumptions above and it produced the following: Between the cost of water, the filter, bags, and the machine repairs, the likely spend per year is just \$5,585.50. Therefore, the net profits are \$98,439.50!

Again, keep in mind, there may be costs for rental, electricity, credit fees, vandalism, and financing interest payments. But even with that, your max out of pocket there is likely \$15,000 (my estimate), which still leaves you \$83k in profits. And, with a machine that costs somewhere around \$40k, your break-even on your investment is still under a half a year.

### HOME RUN LOCATION

#### GROSS REVENUE

\$285.00 Per Day

\$8,550.00 Per Month

\$104,025.00 Per Year

#### COSTS (avg)

\$15.30 Per Day

\$460.17 Per Month

\$5,585.50 Per Year

#### NET PROFIT

\$269.70 Per Day

\$8,089.83 Per Month

\$98,439.50 Per Year



### The Poor Location

What about the poor location? Would it still be worth the investment if you only sold 20 bags of ice a day?

Here's a look at the financials: With the low volumes and with the costs of water, bags, filters, and maintenance, the machine still nets a profit of \$16,424 for the year. It's certainly not making you rich, but it's nothing to sneeze at. But, at an initial cost of the machine, it will take just north of three years to get your money back on this investment.

Then, consider the potential additional costs of electricity, credit fees, renting the space, vandalism, and finance costs (let's say this amounts to \$10k a year) and you could be waiting 7-8 years before your net profits start yielding you an income above and beyond that initial investment in the machine.

### POOR LOCATION

GROSS REVENUE	COSTS (avg)	NET PROFIT
\$50.00 Per Day	\$5.00 Per Day	\$45.00 Per Day
\$1,550.00 Per Month	\$151.17 Per Month	\$1,348.83 Per Month
\$18,250.00 Per Year	\$1,826.00 Per Year	\$6,424.00 Per Year

# “ THE ICE AND WATER VENDING BUSINESS IS IT WORTH IT?”

This, or course, is the big question everyone’s asking. Is this thing really worth the investment? Is it the real deal?

After going through the process of speaking to a corporate salesperson, reviewing the product, and digging into the story of the company, I fully believe in the quality of this product and to be honest, the entire company that’s backing it. So, for me, it simply comes down to the numbers.

In this post, we’ve reviewed the book-ends of the business – revenues near the top of what’s possible, as well as revenues toward the bottom

## THE HOMERUN LOCATION

As one would expect, the high-volume location grades out quite well, with a payback of under a half-year. For me, I like to see a return on my money in three years or less. A half-year is simply phenomenal.

## THE POOR LOCATION

In the poor location, the numbers didn’t have quite the same shimmer. At best, the investment payback was three years, but it was more likely in the 7+ year range, all things considered. It’s rare to hit a home-run, especially if you’re not a regular in the ice and water vending business. But, it’s also rare to strike out after you’ve done all the careful research.





# THE LIKELY STORY

It's rare to hit a homerun, especially if you're not a regular in the ice and water vending business. But, it's also rare to strike out after you've done all the careful research. So, what's likely?

Based on my experience as a businessman and financial analyst, I've found it most helpful to choose a point between the absolute high and low – not the mid-point, but a figure that's closer to the low-end, just to play it safe.

In these scenarios, you could earn \$100,000 per machine or you could earn \$20,000. On average, you're simply not going to earn the mid-point, or \$60,000. Instead, it's probably best to assume that you'll land at a figure that's between the mid-point and the poor location figures. This assumption provides a built-in safety factor on your investment, and I've simply found it to be a more likely scenario in my past dealings.

In this instance, taking the figure between \$60,000 and \$20,000 lands us at a yearly revenue of \$40,000. Tack on the known yearly costs of approximately \$2,500 and the additional costs you may incur beyond that, and you're probably earning just under \$30,000 of net profits per year.

Funny enough, that's exactly where the salesman claimed most people land with their earnings – between \$28,000 and \$33,000 a year.

And, even by taking this low-average position, the machine will still pay for itself in under two years. That's quite good. It's not exactly Warren Buffett's pinball machine operation, but it's likely better than any other business proposition you'll find out there today!

A close-up photograph of two people in business attire shaking hands. The person on the left is wearing a brown suit jacket and a white shirt with a red tie. The person on the right is wearing a blue suit jacket and a light blue shirt. The background is blurred, suggesting an outdoor setting with sunlight.

# SO WHAT'S NEXT?

At this point, you're either ready to buy or you're at least a bit more curious than you were before you started reading. What do you do now?

It's simple. You just go to their website, [everesticeandwater.com](http://everesticeandwater.com), to contact an Everest representative. I did.

The salesman was awesome. He told me all I needed to know, he sent me some documents to review, and then he gave me my space. No annoying follow-up calls after that. Everest knows they have a great product. If you want to buy, you'll buy. They don't need to push you. So, what about you? Are you ready to invest in an Everest ice and water machine?

# ABOUT THE AUTHOR

Derek Sall, is a senior financial analyst and financial expert with a masters degree in finance. His many works have been featured in publications such as Business Insider, Yahoo! Finance, CNBC, and the Huffington Post. Derek reached out to everest to explore the Ice Vending business with an investor's mindset and then chronicled his findings in a report.

His detailed report explores ice and water vending with an everest system, his expert opinion on the ice & water vending business as an investment and leverages his breadth of experience in businesses and financial analysis.

