## **BUSINESS PLAN**





# THE KEY ELEMENTS

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01

SELL

02

BUY

**HOMES... INSTANTLY** 



# WHAT IS FLIPVILLA?

Flipvilla is an online service enabling users to sell and buy homes instantly.

We buy your home directly as soon as you decide to sell and then we renovate it for future buyers, who can purchase it from our platforms (app & website).





# What we solve?

The process of selling or buying a home is full of uncertainty, stressful, expensive and time consuming.

- when you sell your home you are expecting to do it with no hassle, fast and at a fair price;
- when you buy a home you are expecting it to be in a good condition, without hidden damages and at a great price.
- plus, in both cases, using the traditional way you are expected to pay a high realtor fee, typically around 6%.





### A) SELLING YOUR HOME

- Get an online valuation enter your home's details and get a valuation within 24h. We use a value-estimate model taking into account type, location, size, year built, condition and characteristics.
- Schedule your home inspection after accepting our offer, we'll do a free, quick inspection to confirm your home's condition.
- Receive your money now it is time for you to cash-in.
   We'll take care of the rest.

While the average time to sell a home in Europe is 3 months, we buy it from you instantly.





#### B) BUYING A HOME

- Simply search our marketplace, both on app & website, for the home that fits your needs;
- If you found the home of your dreams and you also want it furnished, we can help you with that, too. Our specialists will professionally furnish the home at an affordable cost, making it move-in-ready for you.
- By buying a home from us, you will have the guarantee of owning a home in a very good condition, with no hidden damages and at a fair price.

Another advantage of selling or buying a home with us is that you don't have to pay the high realtor fee, typically around 6%.





# **HOW WE MAKE MONEY?**

- By selling the homes:
  - after we buy the homes at a fair price, we renovate, bringing them in a very good state for future buyers and significantly increase their market value;
    - by doing this, we are targeting an average ROI of 20%;
  - then users can search for homes to buy on our marketplace, available on app & website. Plus, we will be promoting our inventory on social media, real estate classifieds and other different advertising platforms.

# RESIDENTIAL REAL ESTATE MARKET

- Home ownership is a major component of wealth in Europe.
- Almost 70% of Europeans own their homes with a wide variation:
  - over 40% in Germany;
  - 60% in France;
  - over 90% in Hungary, Slovakia,

Romania and Lithuania;

- 58% in Poland.

Source: European Council of Real Estate Professions (CEPI)



1,908 €/m²

AVERAGE RESIDENTIAL SALE PRICE IN EUROPE JAN-JUN 2018



91%

OF EUROPEANS DREAM OF HOME OWNERSHIP

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Jernary 9019, https://doi.org/10.000/juses

In the past year in most European real estate markets, low interest rates have led to a gradual increase in demand and moderately rising prices:

- in Finland and Italy residential sales prices rose between 0.5 and 1.8%;
- in Austria, France, Greece, Slovakia and Switzerland prices have been steady;
- in Czech Republic and Romania there has been a 5% rise;.
- in Spain sale prices increased by 6.6%;
- in Germany, Portugal and Turkey the prices soared with 10% on average.



Source: Real Capital Analytics

# EXAMPLE: Why selling your home with us?

Traditional way example:

€100,000 ------ 6 months of waiting market & for an offer (on average) asking price

€85,000 ------selling price (-15% on average)

**€79,900** 

seller ending up receiving (-6% RE agent fee)

Flipvilla way example:

€100,000 market & asking price no waiting time

------ €85,000 ------Flipvilla offer

(-15% on average)

€85,000

seller ending up receiving (no other fees)

+
more money
& no waiting

# EXAMPLE: Making profit

(taking into consideration a 6-month period)

## Profit example:

€-85,000 -1% buying price buying transaction

€6,000 renovation costs costs estimated
+10% value increase
applied to market price which result in an

€+110,000 selling price transaction

-2.3% selling costs

18.38% gross profit /home

-16% (income tax) 15.44% net profit /home

## FINANCIALS: P&L STATEMENT

| ۸۱       | BROJECT COSTS                                 |                      |              |                 |
|----------|---|----------------------|--------------|-----------------|
| A)       | PROJECT COSTS                                 | Avg. cost / home (€) | No. of homes | Total value (€) |
| 1        | Homes acquisition costs                       | Avg. cost / nome (c) |              |                 |
| 1.1      | Home price                                    | -85,000              | 50           | -4,250,000      |
| 1.2      | Transaction fees – buying (≈1%)               | -850                 | 50           | -42,500         |
|          | Subtotal                                      | -85,850              | 50           | -4,292,500      |
| ,        |   |                      |              |                 |
| 3        | Renovation costs                              |                      |              |                 |
| 3.1      | Soft & hard costs                             | -6,000               | 50           | -300,000        |
|          | Subtotal                                      | -6,000               | 50           | -300,000        |
|          |   |                      |              |                 |
|          | TOTAL COSTS                                   | -91,850              | 50           | -4,592,500      |
|          |   |                      |              |                 |
|          |   |                      |              |                 |
| B)       | PROJECT REVENUE                               |                      |              |                 |
|          | Hamas salas                                   |                      |              |                 |
| 1<br>1.1 | Homes sales                                   | 110,000              | 50           | 5,500,000       |
| 1.1      | Home price  Transaction fees -selling (≈2.3%) | 110,000<br>-2,530    | 50           | -126,500        |
| 1.2      | Transaction rees -sening (~2.5%)              | -2,530               | 50           | 120,000         |
|          | TOTAL REVENUE                                 | 107,470              | 50           | 5,373,500       |
|          | TOTAL REVENUE                                 | 207,170              |              |                 |
|          |   |                      |              |                 |
| C)       | PROJECT PROFIT                                |                      |              |                 |
| -,       |   | Avg. cost / home (€) | No. of homes | Total value (€) |
|          |   |                      |              |                 |
|          | GROSS PROFIT                                  | 15,620.0             | 50           | 781,000         |
|          | Income tay (150/)                             | 2 400 2              | F0           | 124.060         |
|          | Income tax (16%)                              | -2,499.2             | 50           | -124,960        |
|          | NET PROFIT                                    | 13,120.8             | 50           | 656,040         |
|          |   |                      |              |                 |

# FINANCIALS: 1ST YEAR FINANCIAL PROJECTIONS

(taking into consideration that the homes will be sold after an average period of 6 months)

| A)                        | INCOME PROJECTION STATEMENT  |  |  |  |
|---------------------------|--|--|--|--|
| ,                         |  | Semester 1   | Semester 2   | Year 1 overall   |
| 1                         | TOTAL COSTS  | -4,592,500   | -5,248,540   | -9,841,040   |
|                           |  |  |  |  |
| 2                         | TOTAL REVENUE  | 5,373,500  | 6,141,104  | 11,514,604   |
|                           |  |  |  |  |
| 3                         | GROSS PROFIT   | 781,000  | 892,564  | 1,673,564  |
|                           | Income tax (16%)   | -124,960   | -142,810   | -267,770   |
|                           |  |  |  |  |
| 4                         | NET PROFIT   | 656,040  | 749,754  | 1,405,794  |
| в)                        | CASH FLOW PROJECTION   |  |  |  |
|                           | LASE FLUW PROJECTION   |  |  |  |
| ٠,                        | CASTILLO TE TROSCOTION   | Competer 4   | Competer 2   | Vear 1 overall   |
| Í                         |  | Semester 1   | Semester 2   | Year 1 overall   |
| 1                         | Beginning cash balance   | Semester 1<br>4,592,500  | Semester 2 5,248,540   | Year 1 overall<br>4,592,500                                      |
| 1                         | Beginning cash balance   | 4,592,500  | 5,248,540  | 4,592,500  |
| Í                         |  |  |  |  |
| 1 2                       | Beginning cash balance  Total cash inflows   | <b>4,592,500</b> 5,500,000                                     | <b>5,248,540</b> 6,285,675                                     | 4,592,500<br>11,785,675  |
| 1 2 3                     | Beginning cash balance  Total cash inflows  Total cash outflows                          | 4,592,500<br>5,500,000<br>-4,843,960                           | 5,248,540<br>6,285,675<br>-5,535,921                           | 4,592,500<br>11,785,675<br>-10,379,881                           |
| 1<br>2<br>3<br>3.1        | Total cash outflows  Costs   | 4,592,500<br>5,500,000<br>-4,843,960<br>-4,592,500             | 5,248,540<br>6,285,675<br>-5,535,921<br>-5,248,540             | 4,592,500<br>11,785,675<br>-10,379,881<br>-9,841,040             |
| 1<br>2<br>3<br>3.1<br>3.2 | Beginning cash balance  Total cash inflows  Total cash outflows  Costs  Income tax (16%) | 4,592,500<br>5,500,000<br>-4,843,960<br>-4,592,500<br>-124,960 | 5,248,540<br>6,285,675<br>-5,535,921<br>-5,248,540<br>-142,810 | 4,592,500<br>11,785,675<br>-10,379,881<br>-9,841,040<br>-267,770 |
| 1<br>2<br>3<br>3.1        | Total cash outflows  Costs   | 4,592,500<br>5,500,000<br>-4,843,960<br>-4,592,500             | 5,248,540<br>6,285,675<br>-5,535,921<br>-5,248,540             | 4,592,500<br>11,785,675<br>-10,379,881<br>-9,841,040             |
| 1<br>2<br>3<br>3.1<br>3.2 | Beginning cash balance  Total cash inflows  Total cash outflows  Costs  Income tax (16%) | 4,592,500<br>5,500,000<br>-4,843,960<br>-4,592,500<br>-124,960 | 5,248,540<br>6,285,675<br>-5,535,921<br>-5,248,540<br>-142,810 | 4,592,500<br>11,785,675<br>-10,379,881<br>-9,841,040<br>-267,770 |

# COMPETITION

- Current competitors:
   On the European market, there is currently no entity that offers the full services provided by Flipvilla.
- Potential competitors:
  - Opendoor.com in case they decide to enter the European market.
    - their advantages:
      - experience;
      - reputation;
      - a large budget.
    - their disadvantages:
      - entering a completely different market, extremely fragmented, which requires a new approach;

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- the expansion could not be possible in the next couple of years, at which point Flipvilla would already cover the market partially.
- Nested.com in case they decide to change their business model.

## **RISK ANALYSIS**

- the majority of start-ups could fail in a million ways, but the most important vulnerability of Flipvilla is a global real estate crisis, although this is extremely rare. But even in this case, it could be predicted and we can update the acquisition prices accordingly;
- a potential decline of homes' prices on local markets, which could be attenuated by the 15% acquisition price under the market value;
- although the European trend is to relax & support the real estate industry, there is a level of uncertainty on legislative changes across Europe regarding residential transaction taxes & fees, which could lead to an increase in expenses.





## **GO-TO-MARKET STRATEGY**

#### Buying the homes:

Enabling users to sell their homes instantly is the core of Flipvilla because this allows us to buy the properties cheaper than anyone else.

#### Renovating & selling the homes:

We are adding the renovation between the acquisition & selling processes due to 2 reasons:

- to increase the home's value and subsequently Flipvilla's profit;
- renovated homes sell much faster and that is mandatory for growth. For this reason, Flipvilla will be branded as a trustworthy place where you can find a home in a new condition, without hidden damages. Making a comparison, think of this: would you prefer to buy a used car from an unknown individual or from a dealership, where it has been reconditioned and you have the guarantee of buying a good product?

The renovation process will be done by third party providers because it would be more cost efficiently. There are construction companies that operate across Europe and we will have leverage negotiating with such a company due to the large scale of business, which will end up in lower renovation costs.

#### • Target product:

We are focusing on acquiring average-priced apartments in large cities across Europe.

#### • Target home seller:

Is represented by people who are expecting to sell their home with no hassle, fast and at a fair price;

#### Target home buyer:

Is represented by people who are expecting to buy a home in a good condition, without hidden damages and at a great price in comparison to one located in a new development.

#### Advertising:

The primary advertising tools to attract home sellers & buyers consist of Flipvilla's website & app, social media channels, physical advertising banners attached to the "for sale" homes.

#### • Support:

We will open a local office in every city that we will operate, divided into 2 teams:

- a team of 3 people that will act basically like real estate agents who will make the acquisition offers, advertising and selling the properties;
- a team of 3 people that will lead the renovation: an interior designer/architect, an civil construction engineer to supervise the process & a procurement person for different material acquisitions.



#### Market & expansion:

The main goal for Flipvilla is to cover the European market because this is the best in the world for such a company: it is a dynamic market for residential real estate and it is predominantly composed out of homeowners (in some countries over 90%) with a high desire for upgrading their living space.

We launch first in Bucharest, Romania because this is a rising real estate market, the 11th largest city in Europe and starting here will require a lower investment.

According to the financial projection based on the 50 homes starting base, after the 1st year it is possible to expand the operations to a second city.

On the long term the objective is to make Flipvilla available in the Top 100 largest cities of Europe.

# RAISING CAPITAL

To make it happen we need capital for:

- launching first in 1 major city in Europe;
- acquiring & renovating the first 50 homes;
- operating costs.

Our major goal is to cover the Top 100 largest cities in Europe.





# Simplifying your journey.

If you believe Flipvilla could be the next unicorn, contact me at:

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